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# East Europe Report

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16 MAY 1987

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## INTERACTION OF NEW PRODUCTIVITY FACTORS INCREASES EFFICIENCY

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 34 No 12, Dec 86 pp 1796-1816

[Article by Prof Anneliese Braun, Dr of Economics, certified economist, born 1933, research group director with the Central Institute for Economics, GDR Academy of Sciences. Original title of article: "The Interaction between Changes in the Structure of Production and the Growth of Economic Effectiveness."]

[Text] There is an interactive relationship between changes in the structure of production and the emergence of new methods of increased effectiveness on the basis of the scientific and technological revolution. This is reflected, above all, in the fact that the utilization of the potentials offered by the scientific and technological revolution for increased effectiveness is accompanied by the emergence of new structures of production and that, at the same time, the pace of these changes is mainly determined by the progress achieved in increasing effectiveness, notably by the pace and scale of conserving, extracting, and recycling production elements.

On this basis the author examines changes in the interaction between the development of the structure of production and the pace and scale of the increase in effectiveness to be observed in the emergence of the intensive type of reproduction. Priority is given to the examination of the relationship between the structures of the input into and the utilization of the gross national product in economies running along either intensive or extensive patterns of reproduction. Furthermore, the author examines the relationship between the conservation, extraction, and efficiency-increasing recycling of production elements, which are both a prerequisite and a result of changes in the structure of production. This is demonstrated by the example of the GDR on the basis of economic analyses covering the period from 1955/60 to 1984.

The scientific-technological revolution and the associated rapid development of productive forces go along with the rapid renewal of product selection and the technological structure of production. "Electrical engineering, electronics, and mechanical engineering, which are the primary factors determining the industrial structure of the GDR, must play the role of the pathfinder. Renewal of production in these areas must support and stimulate renewal in other sectors." (1)

Given these conditions, the interrelationships between change in the production structure and increased efficiency exhibit the following specific features:

1. Changes in ways to increase efficiency by accelerated exploitation of the efficiency potential inherent in scientific-technological progress are associated with the development of new production structures.
2. The tempo of future structural changes is primarily dependent on current progress toward increased efficiency, i.e., in the conservation, extraction, and recycling of production elements.

Changes in the production structure and the development of new ways to increase efficiency based on the scientific-technological revolution are mutually dependent on one another. In order to achieve high efficiency growth rates, essential changes in the production structure are necessary. By the same token, these changes are themselves significantly influenced by the primary means for increasing efficiency (as manifested in the cost and application structure of the product), in particular the application of new products and key technologies, as well as the dynamics of efficiency and growth. They secure the material conditions for new sources of efficiency. The more flexibly the production structure is adapted to changing requirements for increased productivity via comprehensive intensification, the greater will be the potential for efficiency created and tapped by the scientific-technological revolution; the more fixed assets available for further changes in the production structure will expand. Thus it is important to study in depth the changes in the interaction between the development of the production structure and the dynamics of efficiency involved in the evolution of an intensive reproduction model. (2)

#### **Relationships between Cost and Application Structures in the Gross National Product and the Production Structure**

In order to work out the requirements demanded from the production structure by the acceleration of scientific-technological progress, one must start out from the relationships between the cost and application structure of the gross national product and the development of the production structure. The essential factor here is to determine which changes will take place in the various channels for increased productivity in the course of comprehensive intensification. In other words, we have to determine the extent to which increased productivity is associated with predominantly extensive or intensive utilization of resources. Increased productivity was connected for the most part with extensive utilization of resources when it was based on economizing human labor, which was in turn associated with increased rates of investment in fixed assets and material consumption per worker. Under these conditions, rapid growth of material consumption is both a prerequisite for economizing on human labor (for instance by making use of specialized processes and the availability of electrical energy as productivity factors; by the associated growth of productive output), and a result (particularly with regard to securing the raw materials for increased production per worker). Increased output and the utilization of fixed assets are evident here by virtue of the fact that as a rule material consumption increases per unit of fixed assets.



Besides this, the output per fixed asset ratio tends to decrease, although in certain periods this situation includes an increased ratio due to the effect of counteracting factors.

The following important development tendencies for the production structure evolve out of these conditions: the predominant development of the production of the means of production under the extensive reproduction model is achieved above all via the growth of the production of the means of production for the production of production equipment [sic!] and at the same time for the preparation of input material for industrialization, such as coal, steel, electrical energy, etc. (3) There is a tendency for the production consumption portion of the gross national product to increase, which is based primarily on the rapid growth of production and output (including the import-export economy) of energy resources and raw materials, of productive services in the transportation and communications industries, in equipment, and supplier goods. Under the extensive reproduction model, the definite determining tendency is for an increased percentage of the finished product to be devoted to the production of the means of production, especially of working tools (based on the percentage of depreciation and productive accumulation in the gross national product). As a part of this trend, production in the metals-processing industries (mechanical engineering in particular) and construction engineering are in the foreground.

Production of consumer goods grows on an absolute scale under the cited conditions, but the long-term tendency is for the consumer goods portion of the final product to decrease, particularly when the output/fixed assets ratio decreases. Initially, production is concentrated primarily on the growth of consumer goods for the satisfaction of essential material needs. The portion of consumer goods allotted to the satisfaction of intellectual and cultural needs is still relatively lower, but grows in proportion to the dynamics of efficiency. The dynamics of non-producing services are primarily determined by the increase in the number of persons employed in those sectors.

Increases in labor productivity have been achieved mainly by substituting fixed assets for human labor via mechanization. This trend has characterized the essential development of the production structure in the GDR in the past. However, as early as the 60's, but more clearly in the 70's, it became apparent that more rapid progress coupled with increased labor productivity and maintenance of relatively stable growth rates required comprehensive intensification and an associated transition to predominantly intensive utilization of resources.

Thus, for instance, continued increases in the portion of the gross national product represented by production consumption was associated with slower growth in the relative national income. Among other factors, this was evident from the fact that more and more manpower and resources had to be applied to obtaining energy-producing materials and raw materials. Besides this, the effects of productivity failed to keep pace with increased cooperative relationships between enterprises. Progress with further technical development in various sectors of the national economy downplayed the importance of the structural effects of labor productivity through the reintroduction of manpower in industry. At that time it became evident that continued increases in

production consumption, while at the same time maintaining the primarily extensive utilization of resources, could no longer be associated with highly increased productivity to the same degree as was the case in the past. Besides this, the production structure would change in favor of the energy resource and raw material sectors, as well as productive services. The relatively rapid development of fixed assets funds in these fund-intensive areas would slow down the dynamics of efficiency. (4)

In comparison to other socialist countries (5), changes in both the production structure and the structure of the labor planning sector only contributed insignificantly to increased productivity via structural influences (for instance, 4.5 percent from 1955 to 1960--compare Table 1). At present, this effect is unimportant. Besides this, changes in the export-import structure per major product groups have declined. (6) Hence we can assume that the influence of structural effects on the efficiency of export trade has decreased. In contrast, changes in the production structure and in the structure of the fixed assets sector are associated with positive structural effects for the output/fixed assets ratio. It is important to consider that the structural effect indicated in the table is not a comprehensive expression for the efficiency of structural changes. It only comprises the effects of proportionate changes among the sectors as a result of differences in the level and the dynamics of individual efficiency coefficients. However, the decisive factor for the national economy as a whole is the dynamics of the efficiency criteria with respect to the totality of their influencing factors. Consequently, for instance, one cannot without closer analysis equate any negative structural effect to negative influences of structural changes on efficiency.

**Table 1 Percentage of the Structural Effect (a) on the Development of Labor Productivity and the Output/Fixed Assets Ratio**

	Growth in Labor Productivity Based on the Net Product (b)) (Marks)	Structural Effect Portion (%)	Change in Output/Fixed Assets Ratio Based on Net Prod. (Marks)	Structural Effect Portion (%)	Positive Effect of the Change on the Production Structure % Decrease in Labor Cost of Net Product	% Change in Funds Intensity of Net Product
1955 to 1984	26,135	+6.2	-26	+105.5	4.8	176.6
Breakdown:						
1955 to 1960	3,349	+4.5	+45	+ 23.0	5.7	20.5
1960 to 1970	7,143	+2.9	-32	+ 47.1	4.7	38.4
1970 to 1980	10,661	+1.6	-29	+ 36.6	7.0	39.6
1980 to 1984	4,982	+1.0	-10	+ 7.5	6.0	3.6

a) Based on the changes in the percentage of business sectors in the labor force and fixed assets funds. If based on other structures, the data yield different structural effects.

b) Net product of the economic sectors.

c) Percentage of economic sectors in the net product.

Source: Calculated per "Statistical Yearbook of the GDR 1985," National Press of the GDR, Berlin 1985, p 100, 107, 115; *ibid.*, Berlin 1975, p 86.

As the intensive reproduction model evolves, increased productivity is more and more associated with predominantly intensive utilization of resources. This promotes primarily the following changes in the production structure (7): decreased intensity of production consumption; specifically, decreased energy and raw material intensity in the national income and an increased proportion of the net product tend in the long run to decrease the proportion represented by the raw material sector. So far as the production of the means of production is concerned, the production of working tools increases faster than the production of the subjects of labor, with increasing primary emphasis in such areas as the electronics industry and instrument building, the production of data processing equipment and office machines, and the production of automation equipment, to name just a few items. The high growth dynamics of electrical engineering, electronics, and mechanical engineering is a specific indication of this trend. (8) In this regard, the production of equipment and software for information processing represents one of the most dynamic sectors. Supplier networks and productive services are developing faster in this area than is the production of raw materials (energy resources and unprocessed materials).

However, the structure of consumer goods production is also changing. The functions of each consumer product in the continued development of the socialist lifestyle requires that we distinguish between various groups of consumer goods. The first category includes consumer goods that serve to satisfy the basic material essentials needed by the workers. In this regard we need to distinguish between funds for satisfying the immediate basic needs of the workers, including the demand complexes for food and clothing (9), and consumer goods for the satisfaction of needs related to housing and transportation. Finally, consumer goods can be differentiated with regard to their capacity to produce intellectual and cultural services. The dynamics of these consumer goods are directly associated with a growing high degree of satisfaction so far as essential material needs are concerned. The importance of these factors increases with the scientific-technological revolution because it is an important material basis for increasing the productive capacity of science, education, etc., and ensuring the reproductive requirements of the worker as a major productive force.

With comprehensive intensification, production of consumer goods for the satisfaction of intellectual-cultural needs--coupled with a simultaneous high level of satisfaction of essential material needs--becomes more and more important for stable reproduction of new sources of efficiency through innovation. Consequently this sector is tending to grow to prominent importance.

The proportion of capital invested in the finished product is influenced by various development tendencies. Hence, for instance, as materials upgrading becomes a primary means for conserving energy sources and raw materials, investment requirements increase relatively dramatically in the beginning. Counteracting this trend, modernization and reconstruction of fixed assets with more productive capital assets [results in] a lower price per production unit and their effective use. It is important that the right proportion be maintained in the application of the final product for investments and for the satisfaction of both essential material needs and intellectual-cultural needs. Efficient investments can ensure that these factors will prevail. In the long term, this means that beyond a greater final product and the effects of higher



consumption, we increasingly have to expand the latitude for the production of investment goods as well as of all consumer goods, including the satisfaction of intellectual-cultural needs.

The deciding foundations for this course of action include heightened efficiency in the domestic economy and the resulting possibility for structural changes. Thus for instance, it is not possible to expand rapidly the satisfaction of intellectual-cultural needs simply by virtue of redistribution, for instance without growth in, or even at the cost of, consumer goods production for the satisfaction of essential material needs, for this would compromise both the willingness of the workers to perform and the effectiveness of the intellectual-cultural services themselves.

Progressive development tendencies in the production structure are implemented primarily through new products and new technologies; they change the existing structures, and become the decisive factors for entire sectors and industries. For instance, in the chemical industry this takes the form of structural changes in production, primarily supporting highly upgraded special products, high-performance composite materials, and the opening up of new areas, such as bio-engineering. Prognoses indicate that by the year 2000, processes based on bio-engineering will be used for the manufacture of 25 percent of all pharmaceutical products, 10 % of all agricultural products, and 5% of all products manufactured with large-scale organic synthesis. (10)

Changes in the fine structure of product availability, together with an increasing variety of applications, are attracting more and more attention. Corresponding flexibility requires an increased use of CAD-CAM solutions. The contribution of such systems to cheap, rapid solutions to new product [design problems] depends essentially on installing this kind of information system as rapidly as possible and getting the maximum benefit from its use. This is particularly important in high-tech sectors where the innovation rate is higher than average. These areas include primarily electronics, instrument manufacturing, the production of data processing equipment, office technology, communications engineering equipment, and the construction of scientific instruments.

As a rule, the potential for efficiency in the high-tech sectors derive not only from material savings as a result of increased materials upgrading, but also from labor saving effects. Another basic requirement for this factor is rapid growth in expenditures for the manufacturing engineering sector. For instance, this takes the form of high investment growth and expenditures for research and development, as well as allotting a relatively high percentage of these expenses to total production and the net product in the high-tech areas. When new products based on inventions are successfully introduced, expenditures for research and development amounted to 5 to 10 %, for project planning involving products and engineering work, 10-20%, for machines and equipment 40-60 %, and 5-15% for ongoing production costs. (11)

It is increasingly important for the dynamic efficiency of the national economy [to determine] what effects the key technologies have on development relationships between the production of energy sources and raw materials, deliveries, and productive services, fixed assets, and net product. In line with experience gathered at the beginning of the 80's, we can most probably



assume that, given the effects of intensification factors, the production of energy sources and raw materials--with respect to physical volume--will develop more slowly than total material consumption, fixed assets, and net product. Depending on the progress of intensification, this also applies to the socially necessary expense for energy sources and raw materials, although the per-unit physical volume of energy sources and raw materials can remain stable or even increase.

A series of contradictory factors has a particularly strong effect on the growth rate of material consumption and fixed assets funds. During the 70's, there was a customary tendency for increased material consumption per unit of fixed assets to increase. Additional economizing of material consumption along the lines described above has stopped and reversed this trend. (12) On the other hand, material consumption per unit of fixed assets is also a scale for the development of the productive capability of fixed assets.

Carried to its logical conclusion, the long-range trend of the intensive reproduction model would finally have to achieve the following: the production of raw material (energy sources and unprocessed material) would have to grow more slowly than material consumption; material consumption would have to increase more rapidly than fixed assets, and fixed assets would have to develop more slowly than the net product (expressed in each case in terms of constant prices).

The application range of the scientific-technological revolution and its effects have an essential effect on the point in time when these growth rates take effect. Among other factors, this depends on how fast the various scientific-technical renewal processes expand and penetrate the reproduction process of entire combines and branches of industry; when technical and economic solutions are found for previously low-tech processes; and to what extent efficiency and economic growth can provide the necessary preliminary output for the renewal processes. Consequently existing and new development tendencies in the production structure will exist side-by-side and intermingle for a protracted period of time, which will also lead to contradictory developments. One decisive factor in this regard is that the influence of new development tendencies in the production structure, particularly in the key technologies (13), will grow, and will eventually assert itself as the determining factor. The most effective possible use and renewal of existing structures is an important prerequisite for this trend. The penetration of existing structures by the key technologies is one of the main channels whereby the scientific-technological revolution will be effectively established throughout the national economy. Among other factors, this is associated with the expansion of the product selection offered by the combines, particularly in the direction of increasing vertical concentration of production on a higher level of socialization. One indication of this is the creation of sector-specific microelectronic applications, the production of specialized means of increasing efficiency adapted to specific production needs, and the tailoring of CAD-CAM system applications to related information flow, including producing the appropriate software. This will result in more flexible reactions to customer requirements (for instance, in the availability of system solutions for shaping techniques), familiar products are equipped with electronics, qualitatively improved products are produced more rapidly and cost-efficiently, and qualitative changes are also made for products in some branches of industry, for instance office computers are produced instead of invoicing machines.

The effectiveness of the production structure is exhibited primarily to the extent that--in conjunction with foreign economic relations--it ensures enough change in the development, cost, and application structures related to the gross national product to ensure continuously renewed reproduction of highly dynamic growth in the efficiency of the national economy, and thus in the degree that needs are satisfied primarily through intensive channels. Finally, the efficiency of the production structure can also be tracked with regard to the speed and promptness with which new potentials for efficiency are created and utilized. These potentials should exercise a broad influence on renewal processes for products in the national economy and create the conditions for substitution of consumption values and reductions in relative expenditures in order to replace outmoded structures. This process also requires that a certain balance be ensured at a constantly changing, qualitatively higher level.

The cost and application structure of the gross national product in the domestic economy of the GDR is primarily characterized by the tendencies shown in Table 2. At the beginning of the 80's, reduction in the intensity of production consumption in particular maintained the reduction of the final product portion of the total product. In the period from 1981 to 1984 this portion rose by 2 points. With this the results of intensification, which previously had been achieved primarily through better utilization of existing equipment, had already lead to clear structural changes. Another expression of this trend since the beginning of the 80's are the development ratios and the output structure for means of production and consumer goods (compare Table 3).

Table 3 shows that percentages tended to increase for production equipment output during the period from 1955 until 1980. This is mainly attributable to forced savings in material consumption area, where output to means of production ratio varied by 90% over the entire period studied here.

**Table 2 Development of the Value and Application Structure for the Gross National Product (Price Base 1980)**

Year	Portion of Productive Consumption in the Gross National Product (%)	Portion of Column 2 Represented by Material Consumption (%)	Portion of the Final Product in (a) the Gross National Product (%)	Material Consumption per Unit of Fixed Assets
1950	62.3	59.8	40.2	0.286
1955	59.6	56.8	43.2	0.417
1960	60.7	57.9	42.1	0.521
1965	63.5	59.5	40.5	0.508
1970	64.8	60.4	39.6	0.544
1975	65.2	60.4	39.9	0.537
1980	65.5	60.5	39.6	0.509
1984	63.0	58.5	41.5	0.443

a) Based on the value structure of the gross national product determined as the sum of the national income produced plus depreciation.

Source: Calculated per *ibid.* p. 13, 15, 101, & other years.

**Table 3 Percentages and Dynamics for Output (a)) of Capital and Consumer Goods (Price Base 1980)**

Year	Portion of Gross National Product for Capital Goods (b)) (%)	Portion of Gross National Product for Consumer Goods (c)) (%)	Portion of Material Consumed by Capital Goods (%)	Development Dynamics (1960=100)		
				Capital Goods	Material Consumed in Capital Goods	Material Consumed in Consumer Goods
1950	63.4	36.6	94.2	39.0	41.1	41.5
1955	61.9	38.1	91.8	65.6	67.5	74.8
1960	64.9	35.1	89.3	100	100	100
1965	67.0	33.0	88.8	132.0	131.3	120.1
1970	69.3	30.7	87.2	182.5	178.3	149.6
1975	68.7	31.3	88.0	238.0	234.6	200.6
1980	68.4	31.6	88.5	292.5	290.0	250.0
1984	65.1	34.1	90.0	308.5	310.9	306.1

- a) Because the real application of production and consumer goods is influenced by both domestic production and foreign trade, the output base had to be determined. Domestic production of capital and consumer goods would yield a different picture.
- b) Rough est. expressed as sum of material consumption and gross investments in the production sector.
- c) Simplified as the net final product, including inventory changes for circulating goods, in addition to consumer goods. These values can also be affected changes in the foreign trade balance.

Source: Calculated per *ibid.*, Berlin 1985, p 13, 15, 16, 101, plus other years.

With the evolution of the intensive reproduction model, a few new determining factors are developing for the relationship between capital and consumer goods. For instance, this applies for the growing influence of higher [materials] upgrading, and associated with it, the qualitative potential in the social working faculties and the transition to predominantly intensive exploitation of natural resources. Besides, as a result of accelerated renewal processes in particular, the structures within social production departments I and II are also changing. Investigation of the laws governing the relationship between social production departments I and II with regard to the intensive reproduction model would be a topic for a special study. Given conditions in the GDR, there is strong evidence that the developmental dynamism of the two departments could converge in the next few years (along these lines, for instance, although continued reduction in specific material consumption is necessary; at the same time the rate of productive accumulation will increase for a certain period of time). Stronger influence from new factors associated with the development of the non-producing sector, for instance more rapid computerization of this area, is primarily dependent on the continued dynamism of the surplus product generated by supplemental increases in efficiency.

Relatively close relationships exist between changes in the cost and application structure of the gross national product and the production structure if we take the influence of foreign trade into consideration. The following relationships are particularly important:

1. The development of material consumption, including energy resources and raw materials, and production in the sectors which involved primarily or partially with raw material production, such as a large portion of the raw material industry, parts of agricultural and forestry production.
2. The application of the gross national product for the reproduction of working tools and the development of the metals processing industry as well as the construction industry.
3. The application of the gross national product for consumer goods and the development of light industry and the food industry, retail trade, parts of the metals processing and construction industries (see Table 4).

Given the sluggish decrease in percentages of gross industrial production for the raw materials and energy sectors, particularly since 1980, accelerated conservation of important energy resources, raw materials, and other production materials important for the domestic economy does not show up directly in the table. Among other things, this is affected by the inclusion of real cost prices, but also by the increasing percentage of energy and raw material sourcing from domestic output. Above-average production growth in the metals processing industry considerably exceeded the dynamics for domestic application of working tools, while exports also developed rapidly.

**Table 4 Development of Industrial Groups and Percentages of Gross Industrial Production (Price Base 1980)**

Year	Industry 1960 = 100	Energy and Raw Materials Sectors		Metals Processing Industry		Light Industry and Foods Industry	
		(%)	1960= 100	(%)	1960= 100	(%)	1960= 100
1950	33.9	51.4	42.8	19.0	26.9	29.6	28.5
1955	64.5	45.6	72.2	21.0	56.5	33.4	61.2
1960	100	40.8	100	24.0	100	2	100
1965	133.4	40.1	131.2	27.0	150.0	2.9	124.6
1970	182.0	38.9	173.4	28.0	212.3	2.6	171.3
1975	247.3	38.4	232.9	29.0	298.8	2.6	228.9
1980	314.7	37.6	289.8	32.0	419.5	30.4	271.9
1984	367.5	37.2	335.2	33.0	505.3	29.8	311.0

Source: Calculated per *ibid.*, Berlin 1985, p 45, 46; Berlin 1984, p 20012; Berlin 1983, p 142.



With the creation of a stable foundation for comprehensive intensification, the production structure of the GDR must make further changes in favor of those sectors that produce finished products involving a high and growing degree of materials upgrading and higher efficiency. This development direction in the production structure corresponds best to the resource conditions in the GDR and its position with respect to international labor specialization. Given the current development rate in the energy and raw materials sectors, the long-term tendency toward efficiency in the domestic economy will be higher the more a sector concentrates on high levels of materials upgrading and the more the percentage devoted to this activity increases.

However, if we assume a high level and broad application of materials upgrading in the domestic economy, this will only be valid if greater materials upgrading meets standards for comprehensive intensification, with the result that productive labor forces are substantially influenced by qualitative factors, including above all intensive utilization of natural resources. Even if the new technologies and products are in some cases introduced without fully exploiting their efficiency potentials, this does not mean in any event that increased materials upgrading has to have a negative influence on the efficiency of the production structure. The important thing is to do a more decisive job of providing the prerequisites necessary for even better exploitation of the efficiency potentials inherent in materials upgrading, thus ensuring that a growing portion of the domestic economy will benefit from increased efficiency. The logical utilization of all efficiency potentials is becoming more and more a key problem in expanding the latitude for progressive change in the production structure within the domestic economy.

#### **Conservation, Extraction, and Intensification-Oriented Recycling of Production Elements as a Precondition and a Result of Changes in the Production Structure**

The relationships between conservation, extraction, and recycling of production elements have always functioned as a unity in determining the influence at any point that the economy of time has on socialist reproduction. Without planned recycling, the economy of time at the individual job station, in the departments, and the enterprises on the whole would stand the test in the domestic economy. Hence, this unity is unavoidable because it ensures the reproducibility of other sources for increased efficiency. Changes in the production structure are also always associated with this phenomenon. (14)

In light of the hectic development of new products and technologies, the dynamics of the extraction or release and recycling of raw materials will undoubtedly increase independent of whether recycling occurs in the same or in other sectors. In the process, the decisive impulses evolve out of the demands posed by recycling and thus from progressive structural changes.

With the development of new sources of efficiency in the scientific-technological revolutions, primarily the following tendencies take on importance:

1. In any given case, the conservation potentials associated with important technical renewal processes increase with regard to human labor, energy resources, and raw materials. (15)

2. When resources are released, and workers are freed for other tasks, progressive structural changes are promoted. The degree to which this occurs does not depend solely on the volumes involved, but also on the extent to which the savings realized are actually available for structural changes and the proportionate relationships that can be obtained among the various production elements. Above all, these observations assume that progress will be made in increasing efficiency primarily through intensive channels. The flexibility of the production structure is thus not only dependent on the removal or transformation of outmoded structures; the latitude in which this can take place is above all determined by the potentials for efficiency inherent in the scientific-technological progress created and utilized with the aid of new structures.
3. The growing importance of increased efficiency for the flexibility of the production structure has the effect that new structural elements are also increasingly introduced by penetrating existing structures. This means the better utilization of existing equipment and its restructuring through scientific and technological progress. Excellent examples for this are the modernization and reconstruction of fixed assets, associated with product innovation and changing labor requirements. These measures facilitate expanded reproduction, both on a simple value scale and in terms of extended use-value. This reproduction can bring about progressive changes in the production structure from two standpoints: up to a certain point, reproduction itself includes the development of new structural elements, and at the same time it liberates production elements for the development of new structures. The following factors take on new importance:
  - The improvement of the material and the intellectual-cultural lifestyle level associated with any given consumption fund (based on increased consumption effects per [unit of] consumer goods or decreased total cost per unit of use-value);
  - The release of net investments as well as the relative, and in some instances absolute, conservation of energy resources and raw materials due to intensification of fixed assets reproduction, particularly as a result of modernization and reconstruction;
  - The securing of raw materials and energy for new structures by reducing the intensity of production consumption, especially through expansion of the recycled raw material economy.
  - Expanding the latitude for changes in the foreign trade economy while maintaining equivalent production for export (including initial stage output) and achieving higher proceeds in foreign exchange marks through improved export profitability, or the same foreign exchange earnings with a lower export production volume.
4. The reuse of certain production elements also depends on whether other production elements required for reuse are proportionately available at the same time. As a rule this means that these other production elements must also be conserved or released by virtue of the higher efficiency potentials inherent in the new structures. (16) For instance, in order to find the energy sources and raw materials needed by workers who have been

released for other activities, it can be necessary that some of the workers are assigned directly or indirectly to securing energy-producing and raw materials. (This process can include measures for the so-called re-substitution of mechanized labor with human labor, such as increasing the service life of products, growing repair capacities for durable consumer goods; increases in labor-intensive production processes in conjunction with the extraction of certain energy sources). This also involves the necessity to employ workers in tasks related to upgrading materials. (17)

In order to analyze the major avenues for conserving, extracting, or recycling production elements in the domestic economy of the GDR, the following groups have been defined:

- Material Production. Its development gives indications of the efficiency rate of material conversion and transformation processes, as well as of the degree of intensive resource utilization. This area has been divided up into sectors that primarily produce energy materials and raw materials and those that produce mainly finished products, including the metals processing industry (as an important producer of working tools), as well as light industry, the food industry, and the production-oriented manual trades (the latter being to a great extent sectors that produce consumer goods);
- Productive Services. These services are closely interrelated with the development of material production and the dynamics of productivity in that sector. They count among the important prerequisites for increased productivity in the materials production area (e.g. the transportation and communications systems). (18) However, the results of increased productivity in material production also affects the development of these services, for instance in transportation and commerce. Although they do not yet reflect a high percentage of total production, productive services in the form of software, are nonetheless increasing rapidly in importance. In 1955, for instance, the ratio between hardware and software was still 70:30, but by 1970 it had changed to 30:70, in 1980 to 15:85, and it is estimated at 10:90 by 1990. Thus software output is growing faster than the production of computers; (19)
- The Non-Producing Areas. Their development depends essentially on increases in social labor productivity.

Manpower analysis according to the groups cited above displays relatively clear developmental tendencies over the course of the last 30 years (compare Table 5).

While the percentage of workers employed in material production has been steadily declining (until 1980 there was also a decline in the actual number of workers), both the percentage and actual number of workers in the non-producing sectors and in productive services has continued to increase. In 1955 for each individual worker in the material production sector, there were 0.2 in the non-producing sectors and 0.3 in productive services; in 1984 there were 0.4 workers in both economic groups. Since 1975 the decline in the percentage of workers in material production has slowed down, which is associated



among other factors with an increase in the number of workers in agriculture and forestry, in the energy and raw materials industries, and in creating the production base for the key technologies.

**Table 5 Occupational Development and Structure According to Economic Groups from 1955 until 1984**

Year	Material Production (a))		Productive Output (b))		Non-producing Sectors	
	(Thous.)	(%)	(Thous.)	(%)	(Thous.)	(%)
1955	5204	65.6	1436	18.4	1171(c))	15.0
1960	4956	64.5	1540	20.0	1191	15.5
1965	4823	62.8	1588	20.7	1265	16.5
1970	4794	61.7	1620	20.9	1355	17.4
1975	4754	59.8	1681	21.1	1514	19.1
1980	4848	58.9	1725	21.0	1652	20.1
1984	4979	58.9	1745	20.5	1773	20.9

a) Industry, productive manual trades, construction industry, agriculture, and forestry

b) Transportation and communications, commerce, other productive sectors

c) Up to 1959 including other productive sectors

Source: Calculated per *ibid.*, Berlin 1985, p 18, 19, 140, 141, 151, 157;

"Statistical Handbook 1980," National Press of the GDR, Berlin 1980, p 42; "National Yearbook 1971," National Press of the GDR, Berlin

1971, p. 103

Changes show up as well in important branches of material production in conjunction with the transition to comprehensive intensification (compare Table 6). As shown in Table 6, between 1955 and 1980 the prevailing tendency was toward a decrease in the percentage and actual number of workers in the energy and raw material producing sectors, but this trend does not continue beyond 1980. For the most part this involves various, in some cases short-lived, but also some long-lasting responses to changes in reproduction conditions. For instance, these include increased application of domestic energy sources and raw materials, plus measures to intensify the utilization of their components and increasing demands for greater material upgrading in predominantly processing sectors. The latter factor is associated with improved characteristics and quality of input materials, as a rule also requiring greater manpower input. On the one hand, this entails measures that are already achieving the transition from predominantly extensive to predominantly intensive exploitation of nature (for instance, such as increased utilization of the raw materials produced, the production of high grade materials, and increased utilization of secondary raw materials). Secondly, this trend is also a reaction to certain limitations in the output of energy resources and raw materials. With further progress toward the transition to predominantly intensive utilization of natural resources, it will also become possible for higher specific savings in manpower and labor time funds in the energy and raw material sectors.



The increased number and percentage of workers in the metals processing industry was especially pronounced under the extensive reproduction model. This was mainly caused by the great importance placed on the production of equipment for the substitution of human labor by funds in all areas of the domestic economy and for export, which required the use of additional manpower in spite of highly increased productivity in all sectors. These trends were associated with strongly increased numbers of workers and high productivity dynamics.

**Table 5 Occupational Development and Structure According to Economic Groups from 1955 until 1984**

Year	Sectors Predominantly Producing Energy and Raw Materials (a)) (Thous.) (\$)(c))			Sectors Predominantly Producing Finished Products (b)) (Thous.) (\$)(c))			Metals Processing Industry (Thous.) (\$)(c))			Light Industry and Food Industry, plus Productive Manual Trades (Thous.) (\$)(c))		
1955	2402	46.2		2906	53.8		901	17.3		1570	30.2	
1960	2038	41.1		3043	58.9		1049	21.2		1524	30.8	
1965	1942	40.3		2980	59.7		1129	23.4		1396	28.9	
1970	1741	36.3		3144	63.7		1222	25.5		1384	28.9	
1975	1680	35.3		3139	64.7		1308	27.5		1274	26.8	
1980	1686	34.8		3204	65.2		1367	28.2		1254	25.9	
1984	1738	34.9		3262	65.1		1420	28.5		1259	25.3	

- a) Primary materials industry, along with agriculture and forestry  
b) Metals processing industry, light and food industry, construction, and productive manual trades  
c) Percentage of workers in material production  
Source: Calculated per ibid.

To the extent that increased productivity is more strongly connected with more intensive utilization of resources, the role of certain products in the metals processing industry has changed. Primarily in conjunction with microelectronics and its application for complex automation, new products and product groups are being developed in the metals processing industry. These products have a growing influence on increased productivity throughout the entire domestic economy (for instance, microelectronic components, robots, information processing technology, software). At the same time, the importance of other (outmoded) products decreases. The metals processing industry is being transformed, above all as a result of the introduction of electronics and other new technologies. Production [areas] that have previously been strongly labor intensive are sooner or later being transformed into funds and qualification-intensive production sectors. (20) Increased manpower is concentrated in those sectors and areas of the metals processing industry whose products are supposed to support the evolution of new sources for efficiency through scientific and technical progress in other areas of the domestic economy. However, in the future we can expect greater reductions in the number of jobs available, for instance through the elimination of production stages by the automation of assembly processes.

Light industry is also labor intensive, as is the food industry; in contrast to the metals processing industry, both these sectors have experienced long-term decreases in both the number and percentage of workers. Since 1980 this decrease has slowed down. These areas fulfill important functions in supplying the needs of the population and the economy. This means above all that they must provide highly processed, industrial consumer goods. In order to utilize available working faculties better, modernization and reconstruction on the basis of the latest technological solutions play an important role.

In summary, in order to develop a stable basis for the comprehensive intensification of manpower, more workers should be assigned mainly in the following areas: in high-tech areas of the metals processing industry, in domestic construction of efficiency-promoting equipment and in the production of industrial consumer goods, and in important non-producing sectors; in areas that generate productive services, and to a certain extent also in the energy resource and raw materials sectors.

In the future the number of workers will grow more slowly and will eventually begin to decrease, which makes it necessary to make a greater contribution to changes in the production structure through more effective utilization of existing fixed assets. In order to secure more effective utilization of available fixed assets using less manpower, jobs lost due to decreased numbers of workers, or to the fact that some work stations are no longer fully usable, must be replaced with more productive ones or be themselves modernized (including jobs in manufacturing that require no or only a few operators). If the technological standard, the expansion, and the efficiency of operator-free manufacturing is not yet high enough, increased numbers of workers must be recruited for multiple-shift use of existing capital goods in order to ensure high production continuity. Furthermore, this could be a factor limiting the number of workers that are available for implementing progressive structural changes. Thus extensive application of scientific-technological progress in the framework of reproduction of existing capital goods is an essential condition for increasing the availability of workers and resources for progressive structural changes. Modernization and reconstruction of fixed assets increasingly determines the dynamics of the production structure, above all in the areas in which existing structures can be amalgamated in this way with the results of scientific-technological progress, such as in some areas of mechanical engineering. In the process, growing demands must be made for efficiency in modernization and reconstruction in material production, where 50% of the fixed assets in the domestic economy were applied in 1984 (compare Table 7).

The structure of fixed assets funds classified by sectors changes under the influence of both progressive changes in the production structure as well as demands for efficient use of human labor and of energy resources and raw materials for applications involving the technologies. Within industry, the energy and raw materials sectors are capital-intensive. In 1974 they comprised approximately 60% of all industrial capital funds, while the metals processing industry and the light industry/food industry sector each represented about 20 percent. (21) Since then the percentage of fixed assets funds represented by the energy and raw materials sector has increased, while their portion of production has declined.

**Table 7 Development and Structure of Fixed Assets According to Economic Groups from 1955 until 1984**

Year	Material Production		Productive Output (b))		Non-producing Sectors	
	(Thous.)	(%) (a))	(Thous.)	(%) (a))	(Thous.)	(%) (a))
1955	134.1	31.0	49.1	11.3	249.9	57.7
1960	163.6	33.8	53.5	11.1	266.7	55.1
1965	226.3	39.1	65.8	11.4	286.5	49.5
1970	293.7	42.8	77.0	11.2	315.9	46.0
1975	398.8	47.4	94.9	11.3	346.9	41.3
1980	520.7	50.2	123.7	11.9	393.9	37.9
1984	648.6	52.9	145.4	11.8	433.0	35.3

a) Percentage of fixed assets in the gross national product.

Source: Calculated per *ibid.*, Berlin 1985, p 16, 107.

In the case of generally growing fixed assets, the portion allotted to material production has declined continuously, but that for productive services has remained nearly stable, while that for non-producing areas has declined continuously. (22) In the area of material production, until now the substitution of human labor by fixed assets has led to a relatively strong increase in the capital intensity of production. However, this trend is weakening as a result of the growing effectiveness of new sources of efficiency from scientific-technological progress.

The output/capital ratio sank in material production; until 1980 the number of workers decreased in this sector more significantly than for the total producing sector. In the period from 1955 until 1984, the output/capital ratio (as a ratio between the net product to the gross value of fixed assets) declined to 94.3% in material production, while the ratio for material production declined to 86.2% and that for productive services increased to 117.7%.

A declining output/capital ratio can be a component of a positive development in the efficiency of the domestic economy, for instance if it is associated with substantial savings in human labor and material. However, stable solutions for comprehensive intensification require changes in the structure of lump-sum expenditures to support research and development, production, and design. However, these trends also increase the potential for relative capital savings through intensification of fixed assets reproduction. The intensification of the reproduction of fixed assets is also one of the important conditions for increasing economic performance by gaining workers for permanent assignment in areas involving structural changes. This requires among other factors not only that workers be obtained for new assignments in the material production sectors, but also that relative capital savings in this area will expand the possibilities for higher introduction or renewal of fixed assets in other economic areas.



The intensification of fixed assets reproduction will create the preconditions through which we can accelerate in important non-producing areas, as well as for the especially labor-intensive productive output from scientific-technological progress and also for increased fixed assets investment per work station.

Subjective factors are very important if productivity and efficiency increases are actually going to enhance the flexibility of the production structure and are truly going to become available for progressive structural changes. This involves especially the political-ideological preparation for planned structural changes, management and planning aimed in this direction, plus the motivation and behavior of the workers. Comprehensive intensification makes new demands, requiring constantly renewed commitment to the unified concept that increased efficiency must conform with social security. The experiences of the GDR in acquiring manpower for other tasks proves that the "Schwedter initiative" represents a proven way to combine together increased worker productivity and the guaranteed social goal of full employment.

The potential for scientific-technical progress toward conserving human labor is growing. In addition, there exist reserves and related changes in the overall structure of social labor. In spite of pronounced territorial differences, these factors, plus demographic considerations, are working toward accelerating future changes in jobs and in the manpower structure. These changes will take place essentially without increasing the number of workers, but labor productivity will remain constant and may even exhibit more rapid gains.

Karl Marx stated in the first volume of "Das Kapital" that the "Change in jobs and consequently the greatest possible worker flexibility must be recognized as a general social law of production." (23) For the conditions of socialism, he combined this general law directly with the all-round development of the worker's personality. There are close relationships among the progress, tasks, and contradictions associated with the development of the intensive reproduction model, the tempo of gaining workers for other tasks, the structuring of working and living conditions, and the socialist way of life.

The more we apply scientific-technical innovations, the more working conditions will change, and the more it will be essential to carry through logically the law of specialization according to performance, and to support the willingness of the workers to perform in order to accomplish the necessary changes in the structure and utilization of social labor capacity as rapidly as possible. In this regard, the unity of social security and efficiency proves ever again to be the important driving force for solutions that conform to the essence of socialism. Contradictions between these factors would in the end result be an indication that reaction to changing conditions has not been well enough planned nor timely enough, and that we have not been successful enough at certain points in aiding the breakthrough of socialist principles. This would also inhibit the continued willingness to perform on the part of the workers. In order to ensure well-planned, forward-thinking reproduction of the conditions for the basic unity of social security and increased efficiency, it is necessary not only to analyze thoroughly the demands made of social labor capacity by continued scientific-technological innovation, but also to formulate the tasks involved in changing working conditions to conform to this unity.



The analysis of these relationships and their planned exploitation is one of the important preconditions for adapting to the growing importance of increased efficiency for changes in the production structure.

In the case of the extensive reproduction model, production growth constituted the decisive material basis for flexibility in the production structure. It was possible to achieve structural changes primarily through the application of additional manpower, capital, and resources for the most rapidly growing sectors. The removal and transformation of outmoded elements in the production structure were more a result of higher efficiency and the speed with which new elements spread. At present, however, they represent an important precondition for rapid changes toward progressive production structures, which depend greatly on the conservation, extraction, and recycling of production elements. But at the same time this means that in order to provide greater latitude for structural change, it is not enough just to isolate outmoded production structures. Progressive structures cannot be created through restructuring alone because they are associated with the higher development of the production elements involved, whose realization is essentially dependent on the increased efficiency achieved at the same time. This trend is characterized by, among other things, the growing process whereby fixed assets are centralized in high-tech sectors, including both the conservation and the recycling of existing fixed assets, and their basic expansion (for instance in terms of the information engineering infrastructure). This also involves a closer bond between science and production, to be achieved through coordination and performance agreements between combines and scientific institutions.

#### Endnotes

- (1) "Report of the Central Committee of the German Socialist Workers' Party at the 11th SED Party Congress." Presenter: E. Honecker, Dietz Publishing Co., Berlin, p 28.
- (2) See K. Steinitz, "Intensive Reproduction and the Development of the Production Structure," "Wirtschaftswissenschaft," No 8/1985, p 1121 ff.
- (3) See W. I. Lenin, "Works," Dietz Publishing Co., Berlin 1955 ff, Vol 1, p 78, 96.
- (4) This would be mainly dependent on increases in fixed assets in the capital intensive energy and raw material sectors, as well as on very rapid increases in lump-sum expenditures for conserving human labor, which would only partially affect productivity in conjunction with increased input intensity.
- (5) According to calculations made by the International Institute for Economic Problems of the Socialist World System, Moscow, the structural effect on the growth of national income from 1960-1978 amounted to 32% in the Peoples Republic of Bulgaria, 20 % in the Peoples Republic of Hungary, 31% in the Peoples Republic of Poland, 36% in the Peoples Republic of Rumania, 18% in the CSSR, and 5% in the USSR. In the USSR the effects caused by changes in the production structure for production labor input from 1951 to 1965 amounted to between 24 and 28 %, from 1966 and 1978, to between 17 and 19 %; for the capital-output ratio, it was between 4.4

and 22.7% and between 42.8 and 7.5 % (see "Ekonomitscheskiye i matematitscheskiye metody," No 1/1980, p 90 in Russian; see "Resource Utilization and Dynamic Development," Berlin 1985, p 182.)

- (6) Thus from 1970 to 1984 the sum of percentage changes in major export product groups was 1.3 points, and 2.6 points for imports. In contrast, for the period from 1960 until 1970, the corresponding sums were 2.0 points for exports and 4.6 points for imports. (Calculated according to: "The Statistical Yearbook of the GDR 1985," National Publishing Co. of the GDR, Berlin 1985, p 240; *ibid.*, Berlin 1975, p 255.)
  - (7) For the USSR it is estimated that the production branch structure is still developing in the direction of the intensive reproduction model; changes only indicate this tendency. (See V. Kamasy, "Intensification and the Quality of Economic Growth," "Voprosy ekonomiki," No 3/1985, p 14ff. in Russian.)
  - (8) See Materials for the 27th Party Congress of the Communist Party of the Soviet Union and the 11th Party Congress of the German Socialist Workers Party.
  - (9) The necessary product has general theoretical reproduction characteristics in addition to its social formative factors (according to which, for instance, it appears in capitalism as an example of the value of labor as a commodity). Consequently Marx defined the necessary product as another manifestation of basic necessities fund needed by the worker for his own sustenance and reproduction (see for instance, K. Marx/F. Engels, "Works," Dietz Publishing Co., Berlin 1956 ff, Vol 23, p 593, Vol 25, p 829, 884.)
- For more information on the effects of structural changes on the effectiveness in the consumer needs complex, see W. Heinrichs/G. Knobloch, "Consumer Goods Production and the Transition toward Intensively Expanded Reproduction--Theoretical Problems," "Wirtschaftswissenschaft," Vol 7/1983, p 961 ff.
- (10) See B. Paton, "Orientation Trademarks of Intensification.: "Press of the Soviet Union," No 8/1985, p 37f.
  - (11) See "Present-day Capitalism: Accumulation and Labor Productivity," Chief Editor: S.U. Nikitin, Moscow 1984, p 62, 244, in Russian.
  - (12) It is also necessary to conduct further studies on the development tendencies of specialized processes and productive output for increased material upgrading and its influence on overall material consumption.
  - (13) Abalkin recommends "a sharp structural change" for the USSR in favor of mechanical engineering, with top priority given to development of leading branches in this sector. He states that the long-term decline in the percentage of working tools involved in the production of the industrial means of production must be reversed. (See L. Abalkin, "The Interaction of Productive Forces and Production Conditions," "Voprosy ekonomiki," No 6/1985, 11ff. in Russian.)

- (14) See W. Heinrichs, "Comprehensive Intensification and Reproduction Theory," "Wirtschaftswissenschaft," No 7/1984, p 961 ff.
- (15) See "Key Technology Microelectronics," Dietz Publishing, Berlin 1985, p 178ff; p 195 ff.
- (16) Consequently, based on the efficient application of manpower, there are significant indications of whether it is economically effective to release workers for tasks outside the sector in which they are currently employed or whether it is more advantageous to conserve existing manpower reserves that are not completely needed in their own sector because there is no highly efficient way to employ them for other assignments.
- (17) Thus Jefimov also stresses the fact that we have to expand the conservation of manpower by conserving material, financial means, and through environmental protection. (See W. Jefimow, "On the Basic Rules and Principles of Socialist Conservation and Economy," "Planoweje chosjaistwo," Mp 61985, p 81ff, in Russian.)
- (18) This includes a growing percentage of software output.
- (19) See "Key Technology Microelectronics," op. cit., p 63. In developed industrial countries, 8 to 10% of investments are made for computer technology. Computer production in the USA represents about 2% of the gross national product; less than 1% of manpower is involved in this sector. At the same time, less than 15% of potential users of personal computers are actually using them. (See "Business Week," June 24, 1985, p 50 ff, in English).
- (20) Thus, for instance, it is anticipated that the size of circuits will be reduced to under a micron (submicron) by about 1990. At this point the most capital-intensive changes in the production of micro-electronic components will take effect. Currently the production of these components is more capital-intensive than it was at the beginning of the 70's. Capital intensity will continue to increase and is estimated to become 10 times higher in 1990 than it was in 1980. The design and production of these components will only be possible through automation (among other reasons, because the complexity of the problems to be solved considerably exceeds human capabilities and the individual's working lifetime).
- (21) Calculated according to "Statistical Yearbook of the GDR 1975," op.cit., p 45.
- (22) Comparisons show--even when we take into consideration the limited significance of fixed assets statistics in capitalistic industrial countries--that it is necessary to develop even stronger efficiency reserves. In socialist countries, although fixed assets did grow on an absolute scale in non-producing areas, they actually decreased on a relative basis. While the percentage of fixed assets in non-producing sectors of the fixed assets in the domestic economy of the GDR amounted to 46% in 1979, it sank to 37.9% in 1980, and 36.3 % in 1984. In the USSR, this percentage amounted to 38.4% in 1970, 33.9% in 1980, and 33% in 1983. In comparison to these values, this percentage was not only significantly

higher in several capitalist industrial countries, but actually displayed a general tendency to increase, given the possibilities to realize a profit, and also the relatively high level of the output/capital ratio (with reference to the producing sector). In the FRG, for instance, the percentage of fixed assets in the non-producing sectors of the entire fixed assets of the domestic economy was 62.5% in 1970, 64.6% in 1980, and 63.5% in 1982. In Great Britain this percentage grew from 50.8% in 1970 to 52.9% in 1980 and 53.7% in 1982. In Sweden, the percentage remained almost the same at a relatively high level. It was 60.7 in 1970, 60.1 in 1980, and 60.2% in 1982.

(23) K. Marx/F. Engels, "Works," op.cit. Vol 23, p 512.

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CSO: 2300/208



## BEREND ON SOVIET CHANGES, HUNGARIAN REFORM PROSPECTS

Budapest FIGYELO in Hungarian 19 Mar 87 p 3

[Interview with Ivan T. Berend, president of the Hungarian Academy of Sciences, after his return from a conference in Moscow]

[Text] Ivan T. Berend, president of the Hungarian Academy of Sciences participated in the Moscow conference entitled "For A World Without Nuclear Weapons, For the Survival of Humanity". Upon his return he presented his views at the Szeged conference that dealt with theoretical issues. He discussed the experiences he gained in the Soviet Union as well as tasks facing Hungary, with Gabor Karsai.

[Question] In Moscow you were a member of the scientists' section. What was the main topic of debate?

[Answer] The primary topics were problems related to nuclear disarmament, and within that, the scientific and technical aspects of these problems. In this relation, however, several participants dealt with the present Soviet process of democratization and with the gamut of east-west relations. The section included several Nobel prize winning scientists. Considering the professional standing and political weight of the participants, the significance of the Moscow conference by far exceeded the importance of the previous, customary peace conferences. An important element of this significance was that personalities with a rather broad spectrum of views were invited.

The entire debate was cast in a peculiar light because of academician Sakharov's active participation. He spoke three times. First he addressed his government. He attributed great significance to the on-going Soviet democratization process and stated that it would significantly contribute to the strengthening of peace. As far as I can see, at least 80 percent of his subsequent remarks concerning nuclear disarmament were identical with the views held by Gorbachev. The fact that a majority of Soviet rockets was not deployed on mobile launch pads makes Soviet striking capability vulnerable,

according to Sakharov. In the event of a highly critical political situation this may serve as a temptation to strike first. American scientists, however, argued with Sakharov saying that the sheer number of mobile rockets that has been accumulated makes the possibility of first strike obsolete. Sakharov viewed the Star-Wars program as senseless, and considered it as unnecessary to extend the arms race into that dimension. He felt that this extremely expensive program could be neutralized through different methods that are less costly. Sakharov expressed support for the establishment of nuclear power plants, but suggested more expensive, more secure, underground construction.

[Question] What relationship existed between the forum and the outside world?

[Answer] It was a regrettable situation that the press was excluded from substantive sessions and engaged participants only during intermissions. Accordingly, the speakers did not phrase their remarks for television: a genuine, substantive debate evolved instead, including recommendations by participants to their governments.

At the same time the forum unequivocally demonstrated its support of Gorbachev's hallmark policies--hallmarks both in the eyes of citizens and of foreigners. The forum expressed its confidence in the sincerity of Soviet reform and disarmament endeavours.

While the forum held sessions, several Moscow movie theaters showed the new Soviet motion picture "Atonement". Its lead character is a fictitious small-town dictator with the combined external features of Mussolini, Hitler and Beria. The movie received good reviews in the Soviet press and was discussed on Hungarian TV news. It is a bitter story. Even after the death of his father, the dictator's son is not willing to face facts. It is the third generation, the grandson, who refuses to accept the explanations. He does not find a way out either--in the end he commits suicide. In conjunction with this movie some well-known Soviet writers used heretofore unheard-of harsh terms to condemn personal cult.

[Question] For the sake of renewal, the Soviet leadership appears to be on the offensive on every front. Meanwhile, however, it continually emphasizes that the changes must be made irreversible. Where does this process stand in reality?

[Answer] Indeed this is a frontal attack. They want to demolish the old and antiquated limits on thought, and in the name of "glasnost" they want to mobilize the masses. I think, however, that those masses have adopted a mostly wait-and-see attitude, because all this appears as surprising and unusual to them. It is fully understandable that so far, for the time being, only a narrow group of the intelligentsia has become truly active. The mass appeal of the Soviet Party, the one that confronts all weaknesses of the past, is in a period of an unavoidable break-through. It would be too early to express an opinion on the practical results of this process.

[Question] Hungary is one of those socialist nations which unequivocally supports the changes that are taking place in the Soviet Union. What effect could this have on the Hungarian reform process?

[Answer] The situation of the two countries obviously differs in many respects, and the 'starting position' of both the democratization and the economic reform processes is substantively different. Soviet reform policies, nevertheless should motivate Hungary, even though I am convinced that only a few individuals in Hungary believe that there is no need for a continued reform. In the Soviet Union they are confronting certain issues rather openly and probingly. This helps in the demolition of previous taboos that served as obstacles, and in overcoming certain barriers that mounted in the face of reform.

[Question] Specifically, what do you have in mind?

[Answer] We too have started to confront our omissions of the past years--we are discussing these quite openly, but it seems that we have not yet drawn the appropriate theoretical and practical conclusions. I believe that we would need a much larger degree of mobility also. We often emphasize the significance of 'stability', while 'continuity' would be a more appropriate term. The term 'continuity' contains an element of change, while it quite obviously presupposes the link to preceding events.

I have just completed a book in which I attempted to review the history of the Hungarian reform. It would appear that every aspect of the overture and the up-swing periods of Hungary's reform coincides in time--to the year, moreover, to the month--with the emergence and spread of reform debates within the socialist world. As the idea of reform filled the atmosphere, Hungary instantly took some practical steps. She came into difficult straits at the time the ideas of reform lost popularity within the socialist world. Based on more than 30 years of experience we may say that the external conditions for an upswing in the reform process are now truly favorable. Our sense of international responsibility also obliges us to continue reform. The idea of reform would hardly be defensible if, as a result of our economic policy and other mistakes, our economy would deteriorate more than it already has.

In my judgment the involvement of expert and advisory bodies should be greatly increased prior to decision-making. I believe, however, that our main concern should be the lack of determined action, and this appears to be a political problem. This was our greatest mistake during the past years. It was lack of determined action that hindered the implementation of proper discoveries and decisions.

[Question] The new Soviet policies began with a program of acceleration ...

[Answer] They do not use that term very often anymore.

[Question] Yes, I was about to say that--the term "acceleration" then yielded to the terms "transformation" and "reform". Nowadays in Hungary too they are

emphasizing the need for structural transformation and for the reestablishment of a balance, and talk less about the need to dynamize. These are important theoretical distinctions, but how are they reflected in practice?

[Answer] So far as we are concerned, for quite some time our basic problem has been that we have sound perceptions concerning the course of Hungarian economic growth, but the conditions and methods for changing to that course have not been worked out. A transition requires a medium range, three to five year plan period, unfortunately, however, we are already in the third year of the 5-year plan period, still incapable of resolving this problem. Good objectives in the absence of appropriate means are not much worth.

The transition of the Hungarian economy to the new developmental course cannot be left to the play of automatic market forces, and especially not under the present partial or semi-market conditions. It is not sufficient to announce objectives. Realities demand a rather detailed plan for a large-scale structural reorganization, and for the negative development of the critical sectors. A conception of industrial policy which rightfully emphasizes that the around-the-clock utilization of installations in a few lead industries would, and could require the regrouping of 200,000 individuals from the critical sectors, and that such regrouping would result in an increase in income identical in size to the present budgetary deficit, is in and of itself insufficient. This good idea remains utopian, unless we pay much attention to the obvious preconditions of regrouping, such as retraining, relocation possibilities, and the features of the cooperative sector. This entire problem cluster should be dealt with in a far more complex manner, by, for instance, taking into account the efficient local employment of the work force that became unnecessary, and by considering the possibility of starting some new enterprises that are needed for such occupation. This, however cannot be perceived without building the marketplace.

[Question] Just as one cannot perceive that presently functioning enterprises would introduce efficiencies into their production structure.

[Answer] We simultaneously need monetary regulation--the strengthening of the marketplace--and a conscious governmental effort to resolve problems that were not resolved by the automatic play of market forces. The latter includes some social problems that are not insignificant. These two actions are not opposites, and both require radical reform steps.

A sectoral, limited view of economics, obviously related to the fragmentation in government, hinders the functioning of the marketplace as well as the ability of government to act in a unified fashion. A sound, unified conception of economic policy cannot be composed of sectoral views. But even the sectoral views themselves are questionable unless they transcend traditional boundaries. For example, industrial policy at a certain level should deal with the activities of cooperative secondary industries, small enterprises and of small trade.



Our institutional weaknesses are reflected in the untenable situation in which there is no forum, not even at the planning level, that concerns itself with supplemental and private activities, while almost one third of the national income is derived from that sphere.

[Question] This is a surprisingly large ratio. According to statistics the ratio of private activities amounts to only a few percentage points.

[Answer] Indeed, private activities amount only to about six percent. The phenomenon that really became widespread is not private undertaking itself, but rather a peculiar combination of communal work and private activities. The first example for this kind of combination came about in the sixties with agricultural collectivization. In the eighties the contractual functioning of domestic commercial units constitutes such a combination, together with the legalization of activities in addition to work performed within the state sector. All this doubles the average income of the population.

Even though some forms of supplemental private activities are rightfully debatable, the combination of activities in large communal workshops with individual activities is capable of mobilizing tremendous creative forces. I find this phenomenon to be historically new, and worthy of being viewed as a model. I made a statement to this effect at the Szeged conference.

[Question] On the other hand, this model is a critique of the past conception of large workshops and of the present functioning of several large workshops also. A majority of your solutions came about after primary work hours. Aside from possible overtime work, should one not primarily base individual interestedness and entrepreneurship on work performed during primary work hours?

[Answer] Your question is valid. But in order to give an appropriate, practical answer we first would have to sense the weight of the problem. The one-third share of the national income taken by private activities (in the broad sense of that term), should bring to an end the alternating limiting-permissive policy. We must learn to coexist with this phenomenon while handling it and regulating it.

Three factors may bring about conditions that signify the elimination of both the irritating phenomena as well as social tensions, and also the indispensable utilization of supplemental private sector activities. These are [1] an appropriate, decent and fair, nevertheless progressive taxing system; [2] broad competition that prevents the formation of monopolistic positions in the private sector--in other words: a more liberal treatment, rather than a limitation of the number of private sector activities; and [3] competition presented by work performed in large enterprises--work that has been made attractive and efficient through appropriate wages and through cost-consciousness.

Auxiliary and private activities are also examples for the accomplishments as well as the disadvantages of a pragmatic economic policy. The healthy and

needed system of supplemental activities can be appropriately structured into the functioning of our economy only if we resolve the issues of individual interestedness in work performed during primary work hours in large workshops, of making large industry enterprise attractive, and the issue of providing financial recognition for work performed in large workshops. This is the most important and least resolved issue in our socialist economy.

While remaining sensitive, or rather while increasing our sensitivity toward changing reality, we should reinforce the theoretical foundations of our economic policy in the interest of being able to properly handle practical issues. Quite naturally, I do not have in mind some utopian theories. I am thinking of Marxist theories that are based on practice. We must not permit our reform ideas to be questioned on the basis of ideological notions that are obsolete, or which were distorted from the outset.

Gorbachev, in his capacity as executive secretary of the Soviet Communist Party made a public statement in which he, for the first time, invoked Marx. "From time to time, revolutions reach back to their origins and are confronted with the weaknesses and mistakes of their own processes." This statement is very timely in the Hungarian context also.

12995

CSO: 2500/291

## GROWING ROLE OF PRIVATE SECTOR IN CONSTRUCTION

Budapest MAGYAR NEMZET in Hungarian 31 Mar 87 p 3

[Unattributed article: "Small tradesmen conference: lowering bids at the construction site?"]

[Text] More than 40,000 county and Budapest delegates of small tradesmen discussed this year's tasks, problems and solutions of the construction small trade. The conference was held on Monday in Budapest, and was organized by the National Organization of Artisans [KIOSZ].

Minister of Construction and Urban Development Laszlo Somogyi informed the participants about nationwide construction industry tasks. In spite of some troubled enterprises that operate at low rates of efficiency and with losses, the construction industry is not a crisis industry. Last year the construction industry increased its budgetary contribution and receives the least amount of government subsidies. As compared to last year's people's economy plan projection calling for 62,000-64,000 apartments, the industry delivered 70,000 apartments. In this respect a significant contribution was made by the construction small trade, because the bulk of new homes was financed out of private resources. This year's task is to construct 60,000-62,000 apartments. Again, 80-85 percent of these will be realized by individual resources, government subsidies and bank credits.

The fulfillment of this year's tasks, the work of construction small tradesmen will be helped by the industrial branch through balanced and abundant building material supplies. As compared to last year, the prices of basic construction materials will remain unchanged. These include brick, tile, cement and lime-mass produced items, subject to government price controls.

At the same time it was made possible to increase the functional scope of construction small tradesmen. Once qualified as master builders, small tradesmen will be permitted to construct two-level structures also.

During debate, several participants raised the issue that in addition to many small jobs, small tradesmen would be capable of undertaking larger construction projects, such as swimming pools, special hospital facilities and other structures. Small tradesmen are at a disadvantage in competitive bidding, however, because of a limitation on the number of employees. According to the rules, small tradesmen cannot have more than six employees, while the number of employees in economic work collectives (OMK) may reach 30. In the small tradesmen's view competitive bidding itself should be developed, so as to permit on-the-spot underbidding, once the offers of others are known.

Somogyi announced that laws governing business associations will be promulgated by the end of this year. These provisions will enable small tradesmen to join forces and to collectively bid on larger projects. The Ministry will examine the possibility of permitting the same number of persons to be employed by small tradesmen, as is permitted in OMK-s.

12995

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## HOUSING: BUYERS WITH HARD CURRENCY GIVEN PREFERENCE

Budapest OTLET in Hungarian 19 Mar 87 p 7

[Text] What should one do if he has enough foreign exchange in his account to buy a condominium? It's simple, one would think, all one has to do is to take a walk to the branch office of the National Savings Bank [OTP] where they welcome him, because he wants to spend valuable currency here in Hungary and not in the West.

Well, things aren't that easy. At the time I made an attempt, this is the response I got from one of the workers at the Nefkőztársaság Street OTP branch office: "I don't know what to tell you, but I'll give you a number--call our October 6 Street division."

Not only I, the journalist was left without an answer, but also my acquaintance. Following a rather lengthy assignment abroad, he indeed wanted to buy an apartment for hard currency. It is possible to do that, we learned over the phone, but the buyer must compete for vacant apartments the same way as anyone else, in the framework of the occasional vacant apartment announcements made by the OTP. Usually there are 100 applicants for each apartment. In judging the competition, the one who is able to pay in hard currency has an advantage. From among those prepared to pay in hard currency, those who can pay the total purchase price in one sum have priority. The one who is able to pay half of the purchase price in valuable hard currency has preference over another who offers his old apartment in lieu of the new one, and is willing to pay the price difference in cash. Accordingly, in judging the competition, the one who is willing to pay the full amount of the purchase price in forints is in fourth place. From among these, the one who requires less credit receives preference.

The last time the OTP announced apartment vacancies was in February. Twenty-eight apartments were up for sale, two of which were paid for in hard currency. A 55 square meter, one-and-a-half room apartment on Rozsádomb's Zöldmáli Street was purchased by a father residing in West Germany, for his

daughter. The price: 25,000 West German marks. (Incidentally, the OTP uses current, daily foreign exchange rates in calculating prices.)

According to the OTP, however, it is only on rare occasion that someone pays for a condominium in hard currency. Each year only 10-12 apartments are being paid for in dollars and in marks. This should serve as a modest consolation for those who are hard pressed to produce forints needed for the purchase of an apartment, even after they make maximum use of credit.

12995

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## NEW LAND LAW DEBATED

## Ownership, Foreign Rights Addressed

Budapest HETI VILAGGAZDASAG in Hungarian 21 Mar 87 pp 4-5

[Article by Gabor Juhasz: "The Limits of Residential Lots"]

[Text] By the time this issue of our paper appears on news stands, we will not yet know what action the National Assembly took regarding the proposed land law. Judging by the proceedings of earlier parliamentary committee sessions, however, it appears as likely that some representatives will be prompted to comment on two provisions: one that limits the ability to acquire real estate, and another that deals with real estate owned by persons who illegally stay abroad. The Judiciary Committee reported favorably on the proposal, but the vote was tight, with only a bare majority voting in favor. Regarding these two issues several representatives reserved the right to file separate opinions.

Thirty minutes before the Judiciary Committee opened its session last Friday, I found an unusually large number of representatives in the designated conference room. Committee members and guests gathered in small groups to argue and to explain the land law proposal. Judging by answers received, and from sentences one could overhear, it became unequivocally clear that a great debate was about to develop concerning proposed provisions on long-term land use.

But events did not evolve that way. Some representatives were still opening their soft drink containers when Minister of Justice Istvan Markoja was asked to make a preliminary statement. He announced that on the previous day--last Thursday--the cabinet decided to withdraw its proposal concerning long-term land use.

As a matter of background one should know that toward the end of last year two legislative committees debated the land law proposal, a product of almost

three years of preparatory work. The National Assembly's Committee on Agriculture was first to deal with the issue on November 24, 1986. Already at that time Representative Laszlo Nagy (County of Borsod) questioned the utility of provisions governing long-term land use. When the second committee debate took place during the first part of March, the proposal still contained the provision in a substantially unchanged form.

Long-term land use was introduced as a legal concept in 1977. The essence of related legal provisions is that land owned by the state cannot be sold to private individuals, for example for purposes of residential construction. In other words, state-owned real estate cannot become private property, but it may be transferred into private hands for long-term use. Considering the absence of ownership rights, user fees are high. In essence, user fees amount to the "purchase" price, based on the land's (private) commercial value. It so happened that long-term land use conveys rights similar to those of ownership, but the arrangement was disfavored by the population because those making use of the provision felt that they paid for the purchase of real property but did not become property owners. Title to the land was not conveyed to their name. This fact was brought out in several committee meetings. Representatives have indicated a number of times that this two-faced solution creates ill feelings in the population. On March 11 the Parliament's Committee on Community Development voted to recommend the abolition of the long-term land use concept. This is what actually happened in the end, even though until last Friday morning it seemed that the cabinet would recommend the retention of the long-term land use provisions.

The abolition of long-term land use was not the only news in Markoja's brief report to the Judiciary Committee last week. Related to the cabinet's intention to withdraw the long-term land use provisions, Markoja recommended a modification to the effective date of abolition. He suggested that the effective date be postponed from the originally planned July 1, 1987 date to September 1 on grounds that time is needed to prepare applicable legal provisions if the National Assembly approves abolition.

Temporary rules will be needed indeed. Over the past ten years almost 100,000 pieces of real estate were subjects of long-term use arrangements. Markoja outlined the planned new rules. The Ministry perceives a choice of two alternatives for those who have heretofore taken land into long-term use. The land will either continue to be used under the long-term use arrangement, or it may become the property of the long-term user. In the latter case, however, citizens would have to pay the difference between the use fee they paid some time ago, and the current market value of the property. No decision has been reached as to how these amounts would be calculated. Thereafter the Minister of Justice requested acceptance of the proposal, in his words: "an acceptance that can be made with a clear conscience".

Representative Jeno Horvath (Budapest) addressed two new aspects of the legislative proposal: the limitation of the ability to acquire real estate, and real estate owned by persons who illegally stay abroad. To understand Horvath's proposal one must be familiar with the implementing provisions of



the legislative proposal. In its present form the proposal would retain the principle by which the acquisition of real estate is limited to the extent that anyone may own a residence as well as a recreational home, provided that the property of family members is considered collectively. A dependent, age 14 or older is entitled to independently own one residential lot, while a dependent age 16 or older is entitled to independently obtain an apartment. Real property acquired over and above these limits, e.g. a house being inherited, must be disposed of, according to present rules. The legislative proposal and its implementing provisions would relax the stringency of these provisions. According to the proposed new rules, excess real property acquired through inheritance, expropriation, marriage or adoption would not have to be disposed of, except for the fact that the number of apartments and recreational homes owned, counted individually, must not exceed the number of family members. Accordingly, a family of four could own a maximum of four apartments and four recreational homes. (The legislative proposal does not permit the ownership of real property above this limitation, even if such property is being purchased.)

Representative Horvath recommended that the concept of calculating real property ownership on the basis of family size be done away with, and that the Committee adopt a general principle by which every citizen may obtain an apartment and a recreational home, instead. In making this recommendation he cited an example by which the proposed rule can be circumvented. A married couple has one apartment. They want to buy another apartment, but they are not permitted to do so. They divorce in order to buy another apartment. The party left without an apartment buys the other apartment. They remarry, and according to the legislative proposal they may retain both pieces of real estate.

Horvath's other recommendation pertains to so called "quasi-inheritance". According to the legislative proposal, and contrary to existing rules, the real property of private individuals illegally staying abroad would not be automatically transferred to state ownership. According to the proposal, upon petition, property rights would transfer to the person who would be the legal heir of the person who illegally stayed abroad, in the event of his death. Horvath agreed with the principle of "quasi-inheritance", but felt that the conveyance of property rights should take place automatically, rather than on the basis of petition. As presently proposed, some legal heirs unaware of their "bequestor" having stayed abroad, (e.g. children of divorced parents), would not even petition the transfer of property rights, and would thus be excluded from the "inheritance", according to Horvath.

Representative Frigyes Tallossy believes that there is no need at all to limit the ability to acquire real estate. The accumulation of disproportionately large wealth should be controlled through taxation, leaving the opportunity to acquire property on an equal footing to all. Several representatives, including Laszlo Boros (Budapest) agreed with Horvath's suggestions. As time passed, more and more proposals were made. In the end Deputy Minister of Justice Ferenc Petrak responded to the questions and suggestions by summarizing the debated issues. In conclusion he requested the Committee to accept the cabinet proposal in its substance, without modifying amendments.

During the fifth hour of debate the Committee voted on the original cabinet proposal that remained substantively unchanged. At this point, however, objections were heard regarding the voting procedure. Representative Tallosy was first to object, requesting postponement of the vote on grounds that it was too early to accurately understand the final wording in its full context. Representative Istvan Sarlos was next to request the President of the National Assembly to allow more time in the future for the thorough deliberation of legislative proposals. Representative Horvath questioned the need for casting a single vote on the proposal as a whole. He agreed with 97-98 percent of the proposal, accordingly, if he voted in the negative, he would do so contrary to his beliefs. He nevertheless wanted to preserve his modifying amendments.

With only six days to go, the possibility of yet another Committee meeting prior to the full National Assembly session was also considered. Rejecting the idea, the committee chairman asked for a single vote on the proposal as a whole. Accordingly, it came as no surprise that when the committee secretary stood up to tally the votes, he counted only 11 votes in the affirmative. Eleven votes constitute a bare majority within the 21 member Judiciary Committee. To pacify those voting in the negative the President of the National Assembly closed the debate by saying that on Wednesday, the day before the opening of the parliamentary session, legislators would receive copies of the final text. In this way, legislators would be able to express their opinions concerning the proposed land law to all the representatives, in the event that they see a continued need for their modifying amendments.

#### Complexity Of Land Regulations

Budapest HETI VILAGGAZDASAG in Hungarian 21 Mar 87 p 5

[Text] Work on the proposed land law that will be acted on by Parliament this week--the planned Land Law Code, as it is called in professional circles--began on grounds of a 1980 determination made by the Council of Ministers. The determination requires unified, long-term, comprehensive provisions, hopefully with no need for modifications. Initial drafts were the subjects of debate within the Association of Hungarian Jurists [MJSZ], committees of the PPF, and the executive committee of the National Council of Producer Cooperatives [TOT]. Only after these reviews did the proposal come before legislative committees. All agree that there is a great need to deal with the issue. Deputy Minister of Justice Ferenc Petrik once stated before a legislative committee that present regulatory provisions pertaining to real property rights are fragmented to the extent that they can be hardly understood. Not counting ministerial directives, ordinances and circulars, 219 separate legal provisions pertain to issues of land ownership and land use.

The legislative proposal contains more than 80 sections, and replaces in whole or in part several laws, and orders having the force of law. If approved by Parliament, the law will serve as a basis for the regulation of real property rights. An Order to be issued by the Council of Ministers will contain implementing provisions. That Order is not expected to be brief either. It will have more than 110 sections.

The framers of the new land law expect to achieve the unified regulation of real property, covering every aspect real property ownership, land use, and real estate transactions. Additionally, the new proposal would relax existing rules in several respects. Under the new proposal real property owned by the state could be transferred to cooperatives, for example, alternatively, changes in the cultivation of land are tied to Land Office permissions only in exceptional cases. The most important changes contained in the legislative proposal pertain to long-term land use, limitations on the acquisition of real property, and to real property owned by persons who illegally stay abroad.

12995

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## COMPUTERS FROM FRG TRADED IN ILLEGAL BUSINESS SCHEME

## Krakow Racket Described, Benefits Defended

Krakow ZYCIE LITERACKIE in Polish No 49, 7 Dec 86 pp 12, 13

[Excerpts from article by Zbigniew Satala: "Shady Computer Dealing in Krakow"]

[Excerpts] At 0720 on the morning of 26 February 1986, officials of the Bureau of Internal Affairs and Revenue Office officials entered room number 1407A of the Babilon Student Home, armed with a warrant from the public prosecutor's office to search the premises. The room was rented by a third-year student of the Department of Electrical Engineering, Automation, and Electronics of the Academy of Mining and Metallurgy. The search was not a difficult one, because all the suspected items were almost in plain view. A suitcase whose contents proved to be anything but humdrum had been shoved under the bed. In the suitcase was substantial capital not often found in anyone's possession, let alone a student's, in the form of 5 million zlotys in 5,000-zloty bills, 8,000 United States Dollars, and 4,000 West German marks. The officer conducting the inspection also found an Atari computer, an Oki Microline 182 printer, Rechnung [accounts receivable], Langer [accounts payable], and Kunden [customers] software, including documentation and three distribution diskettes, and 19 5.25-inch diskettes. Shortly afterward experts estimated the value of this hardware and software at 2 million zlotys.

A trial which generated considerable public interest began on 19 November in Provincial Court in Krakow. Jozef W., a student, was accompanied in the dock by nine other persons. Some of them had been brought to the courtroom from preventive detention, entering with a police escort and taking seats surrounded by police officers. Four of the accused, who had not been jailed, were very young and appeared without defense attorneys. The public gallery was made up largely of young people of different nationalities. The participants in the trial included citizens of Cuba, Yemen, Bolivia, and Panama. The most important person, the brains of the entire operation, a fourth-year student of the Department of Electrical Engineering of the Academy of Mining and Metallurgy and a citizen of Argentina, Stanislaw Dabek, was unfortunately absent from the courtroom. He has Polish parents and changed his name slightly in Argentina. Instead of awaiting trial in detention along with his partners, this leader is enjoying freedom in his far-off homeland in South America.



Zefiryn Jelen, prosecutor of the Krakow Provincial Prosecutor's Office, helped me to make sense of this entire affair. When in August 1986 the import customs duty on computers was lifted, an opportunity presented itself to the Argentine student. He decided to exploit the receptivity of the Polish market to these much sought after electronic devices and to bring them in from West Berlin. Dabek was a man of the world and a go-getter. He bought tens of thousands of dollars from black market currency dealers and took this money abroad or hired other persons to do so. In West Berlin he spent this foreign currency on computers and brought this equipment into Poland. There were very many people in Poland who wanted the equipment. He knew that this was good business, and so he bought dollars at the highest black market rate at the time, 670 zlotys per dollar. He figured that even so he could make a profit, because a comparison of prices in Poland and the FRG showed that he would make 1,800 to 2,000 zlotys for every dollar invested. He hired several persons to carry out the entire project. They are the ones who will now pay a great part of the reckoning.

The "firm" of Dabek and Company was in existence for less than 6 months. The boss availed himself of the services of two permanent associates, who received a percentage of the amount realized from transactions completed. Several other persons worked, as it may be put, on commission. The "firm" also availed itself of the good will of certain persons, and the boss responded with ready cash to courtesies rendered.

Stanislaw Dabek had good commercial contacts abroad, especially in West Berlin, and a considerable amount of capital enabling him to go into business. It is said that he ran a small factory in his country even before he became a student. The AGH [Academy of Mining and Metallurgy] student mentioned at the outset, Jozef W., and a senior assistant lecturer in the Department of Economic Law of Jagiellonian University, Jan L., concerned themselves with the legal and organizational aspects of the entire operation.

As has already been noted, on 18 August 1985 the import customs tariff was amended, this to some extent lifting the import restrictions on computer equipment, and minicomputers and peripherals in particular. This equipment was exempted from any customs duty. The obligation of obtaining a permit to import such equipment into Poland was also cancelled.

As a foreigner, Stanislaw Dabek was unable under fiscal penal law to enter into valid contracts for purchase and sale of goods brought from abroad. The solution to this problem was to find a Polish citizen who could act as owner of equipment during a transaction and sign a contract in his own name. This task was undertaken by Jozef W., and he is the person who was named in almost all the commercial contracts. Legal expert Jan L. concerned himself with finding customers. He often appeared in Polish emigre firm business circles, giving advice on a number of occasions, and so had extensive contacts in this milieu. But solicitation was not restricted exclusively to Polish emigre firms, inasmuch as computer equipment was sought after by private individuals and even Polish government enterprises.

West Berlin was selected as the site of purchase of the computers. Dabek was a frequent visitor there, travelling to Berlin 3 or 4 times a month. Buying the equipment required a considerable amount of money, and so the problem

arose of getting this money out of Poland. Part of the foreign currency was transferred by legal means and part of it was smuggled out. Witnesses have testified that Dabek took it out in a doughnut from which a bite had been taken or in a trashcan. On one occasion the smuggling attempt did not work. On 2 January, this Argentine citizen was subjected to a thorough personal search at the Slubice border station. In addition to the formally declared 14,000 marks, 7,000 marks were found taped to his chest with adhesive tape. Dabek courteously apologized to the customs officials for this unsuccessful smuggling attempt, did not protest when the money was confiscated from him, and even left another 7,000 marks with the customs office to pay for any fine that might be imposed.

Another way of getting money to West Berlin was to use foreigners studying in Poland. Dabek deposited certain small sums in their foreign currency accounts in Krakow banks, paid their travel expenses to West Berlin, and gave them spending money there. They were to play a dual role, taking foreign currency out of Poland and bringing small amounts of computer equipment into the country. A Cuban student, Roberto, had this to say about it during the investigation: "Dabek told me that he would buy computers in West Berlin and that I could bring them into Poland. He said that computers were duty-free and that everything was legal. I was to receive 50 to 60 dollars for every trip. I left for the first time on 31 October 1985 together with Dabek, his wife, and a student from Yemen, Saeed. The boss opened an account for me and deposited 50 dollars and 100 marks in it. In Berlin he gave me some computer equipment to take with me and ordered me to come back to Poland."

Roberto also received several thousand lire. As we know, 1 dollar is worth about 1,600 lire. And so the Cuban entered in his declaration the amount in lire taken out of Berlin and at the Polish border obtained confirmation of this fact. He then changed the word "lire" to read "dollars" and thus was able to deposit several thousand dollars in the bank officially. He received the foreign currency for this deposit from Dabek. After a few days he withdrew this money and was able without the slightest difficulty to take it out entirely legally to West Berlin. The careful Dabek cautioned him not to deposit the entire amount entered in the declaration, because in this case this document would remain in the bank and leave an unwanted trail. So, for example, only 9,500 dollars were deposited rather than 10,000.

Dabek had four couriers working for him. As was established in the investigation, the Jagiellonian University student from Cuba, Roberto, transported 27,000 dollars and nearly 4,000 West German marks, receiving 800 dollars for his pains. Luiz from far-off Cachabamba Calle Colombia in Bolivia transferred 12,000 dollars, Enrique from Panama 3,660 dollars and 200 marks, and Saeed from Yemen 3,000 dollars and 2,550 West German marks. All three were AGH students. It will probably never be possible to find out how much the boss himself took out.

Dabek himself, and sometimes Jozef W., bought the dollars and marks. The Argentinian traveled to Warsaw and other cities on this business. He was also often a customer of the black market currency dealers in Krakow. The student bought 14,000 dollars and 8,000 marks for his boss from a Krakow foreign currency peddler known by the alias Beton [Concrete]. This black marketeer has not been caught even now, despite the warrants issued for his arrest. The prosecutor's office has estimated that the currency bought in this illegal

transaction amounted to at least 57,500 dollars and 26,000 FRG marks. The amounts that Dabek was able to take out of the country with him must be added to this total.

Initially the commercial operations of the Dabek "company" were, so to speak, at retail. Two confederates, the student Jozef W. and the lawyer Jan L., traveled around Poland and disposed of the electronic equipment to Polish emigre firms and private enterprises. The lawyer sought out customers and set up the transaction, while the student signed the contract, delivered the equipment, and received the money. This is what happened in the sale of integrated circuits and Winchester hard disk drives to the Hector Computer Studio in Warsaw. The two confederates did not want to give away the connection between them, and so rode to Warsaw in different cars on the same express train. In the company's office, the student turned the equipment over to the head of Hector Computer and tried to collect the amount due. However, the company did not have this much cash on hand, and so the two gentlemen, the student and the head of the company, drove to the bank and finalized the transaction there. Jan W. turned the money he had collected over to the lawyer and received 100,000 zlotys as his share in this specific escapade. Jan L. settled with his boss in Krakow.

The was the procedure followed to sell four hard disk drives to the Starcomp Company in Warsaw for 5 million zlotys (the student earned 500,000 zlotys in this transaction) and various other items of electronic equipment to such organizations as Karen, the Medical Academy in Warsaw, Impol-II, the Electronic Equipment Plant, and others. But a veritable downpour of gold was to come later. The Dabek company ran into a customer who really allowed the firm to take off. This was the Unitra-Telpod Scientific Production Center for Hybrid Microelectronics and Resistors in Krakow.

A certain lecturer at the AGH, Janusz G., came into the picture at this stage of the game. He put Dabek in touch with the director of the Unitra-Telpod Center. The young businessman from Argentina came to the meeting with catalogs of West German computer equipment and price lists. This meeting launched Dabek's biggest transaction, and from this time on he limited himself almost exclusively to doing business with Telpod.

This enterprise, associated with the Electronics Industry Enterprise, is a multiple-plant government corporation. One of its organizational units is the Unitra-Telpod Research and Development Unit for Hybrid Microelectronics and Resistors. This center was conducting integrated scientific research, engineering and technological design, and experimental and applications work, concerned itself with improvement in methods of manufacturing products, and performed research connected with raw materials selection. The director of the Center granted the head of the Unit full authority in the area of research and development work for the needs of the enterprise as a whole. The wording of the document granting the authority reveals that the head of the Unit had the task of setting up and updating a program for fundamental development of the Unitra-Telpod product mix based on the most recent accomplishments of world science and technology. He was to supervise, and bore responsibility for, the development of modern technological processes, coordinated the implementation of scientific research plans aimed at preparation of new engineering design and technological solutions, and together with the administration of the Center determined the purposes and ways of using the



financial resources received from the research work fund, the central technical and economic progress fund, and the part of the enterprise development fund intended for research and development activities. The duties he performed and the very broad powers he wielded allowed the director of the Unit to exert considerable influence among other things on decisions in the matter of procurement of equipment and apparatus serving the purpose of production development and modernization.

The investigation revealed that in October 1985 the director of the Unit recommended to a meeting of the management staff of the entire enterprise a project for developing the production of controllers and minicomputers. This proposal was a very interesting one and was accepted. However, the process involved the need for procuring a considerable amount of computer equipment. The project also called for close cooperation with the Institute of Electronics of the Academy of Mining and Metallurgy in Krakow. Accomplishment of the program would also make it possible to advance many planning, accounting, and engineering operations at Unitra-Telpod.

The management learned in November 1985 of the details of the transaction connected with procurement of computer equipment. The offer, and it was a very tempting one, was presented by the director of the Unit, Piotr W. The computers were to come from IBM, which has a very good reputation on the market and whose equipment is highly regarded for its performance. The director truthfully reported that this equipment could be used for several different applications. A highly essential element of this offer was the possibility of buying with zlotys, through the socialist-sector trading firms of Bomis and Comintex. In view of the well-known shortage of foreign currency, this element was of decisive importance. The computers when bought would be set up by scientists of the AGH Institute of Electronics. After hearing out this presentation, the management of the Center made the collective decision to buy the equipment offered.

Even before the contract had been finalized, the Unitra-Telpod Scientific Production Center in Krakow concluded an agreement, No 5-385-30, on the basis of which the AGH Institute assumed the obligation of carrying out a research project on "an automatic tester for measurement of thick-layer temperature sensors." The project director was AGH lecturer Janusz G., who, as was pointed out earlier, put Dabek in touch with director Piotr W. Janusz G. subsequently stated in the investigation that "the agreement concluded with Unitra-Telpod basically called for drawing up the technological design documentation of a minicomputer which could be manufactured at this plant. The project was completed and a model was made. Prototype series production was even started. But to test the minicomputer series that had been developed, it was necessary to set up a larger auxiliary computer at Unitra-Telpod. The system that evolved, as the lecturer wrote to the court, was of cardinal, and even strategic, importance to the Center."

After the terms of the transaction had been accepted by the Unitra-Telpod management, there were no formal obstacles to its finalization. Dabek bought in West Berlin an IBM PC AT computer, one of the best made by IBM, and in December 1985 the equipment was brought to Krakow by the Pacet-Serwis transportation organization. Bomis acted as intermediary to facilitate settlement of the commercial formalities, setting the value of the equipment at the current legal price. The Center paid Dabek nearly 46 million zlotys.



Bomis did well on this transaction, retaining a commission of 10 percent.

The next part of the transaction took part in January and February. On this occasion Dabek availed himself of the services of another intermediary. He found Bomis too expensive, in that it had to be paid a commission of 10 percent. The Comintex Service and Production Labor Cooperative in Krakow was found, and it assumed the role of intermediary. To lower the cost of the undertaking and increase his profit, Dabek concealed this sale from his immediate associate Jan L. So one party to the transaction was the student Jozef W., the other was Unitra-Telpod, and the intermediary was Comintex. The reduced commission was important, as the value of the contract was a record one this time.

Dabek had a close acquaintance, AGH scientific employee Jan C., who said that he had many contacts at Comintex. So the Argentine decided to try to reduce the payment to the intermediary as much as possible. He studied the situation and came to the conclusion that everything depended on the official who directly handled the formalities. Comintex charged from 2 to 8 percent of the total value for its services. The game was worth the candle, inasmuch as 2 percent represented more than a million zlotys when such high amounts were involved. There were theoretically certain principles that had to be applied to establish the amount of a commission, but final decision rested with this person handling the transaction. Jan C. was a close acquaintance of this official, and so asked her for special consideration for the student from Argentina. As a result of this intervention, Dabek was charged the lowest commission, 2 percent. The amount of the contract handled through Comintex was 72 million zlotys. Adding the first sale, in which Bomis was involved, we arrive at a total of 118,332,000 zlotys.

As it was picturesquely put by prosecutor Zefiryn Jelen, the defendants in this trial violated one-fourth of the provisions of the penal code and one-half of the provisions of the revenue law. There obviously is a certain amount of exaggeration in this assessment, although student Jozef W. was indicted for violation of 13 different articles and subsections of both laws, and lecturer Janusz G. slightly fewer. But what are the most essential charges in the indictment?

Dabek, student Jozef W., and lawyer Jan L. engaged in large-scale commercial activities and failed to report them for taxation, despite the legal obligation to do so. According to treasury calculations, they must pay the tax collector around 46 million zlotys. On only one occasion did Jozef W. pay tax, on a single transaction, in the amount of 23,000 zlotys. Justice is now demanding payment of the balance due.

Another crime which can bring an even harsher sentence is corruption and bribery. Dabek was an energetic, resourceful businessman. He knew to pay adequately for services rendered. He rewarded the efforts of his associates generously, but also gave quite a few tips to persons who helped him further his interests. The contract with Unitra-Telpod was very lucrative for him; he was anxious to have it finalized. To ensure his success, he was ready to pay the director of the Unit a not inconsiderable amount. And this is just what he did. The investigation revealed that the director of the Unit received a tip of 2 million zlotys, something which the public prosecutor recognized as acceptance of a large bribe in connection with performance of duties in public

service. Lecturer Jerzy G. made an outstanding contribution to the signing of this agreement; after all, he introduced Dabek to the director of the Unit. The Argentine businessman believed this courtesy to be worth 1,8 million zlotys. Another AGH lecturer, Jan C., whose efforts paid off in lowering of the Comintex commission, was rewarded with a million zlotys, while Dabek felt that the services of the Comintex official were worth 400,000 zlotys.

In addition to these major points in the indictment, the court is also considering the crimes of smuggling foreign currency, dealing in currency, falsifying documents, etc.

The characters of some of the defendants in the dock in this case are very interesting. Generally speaking, it must be admitted that the great majority of these people have had absolutely clean records. They have never come into conflict with the law in the past. They are above-average people, very intelligent, highly competent, and occupy prominent positions in society.

Take the lawyer. At the time of his arrest, he was assistant lecturer in the economic law department of Jagellonian University. He had long been interested in electronics and had even taken a postgraduate course in data processing at the AGH. This subject was very appealing to him, and he was a frequent visitor at the electronic equipment exchange on Reymont Street in Krakow. He stated during the investigation that he had intended to organize a Polish emigre firm and regarded his participation in the venture with Dabek as a possible way of raising the money needed for this purpose. The character reference of Jan L. given by a well-known professor of Jagiellonian University runs to three typewritten pages and contains nothing but superlatives: "very capable, conscientious, devoted to his profession, shows signs of being one of the best hopes for the future. Knows German and English fluently; in 1985 completed the first level of studies at the International School of Comparative Law in Amsterdam." According to the statement given by student Jozef W., Jan L. was to receive around 12 million zlotys as remuneration from Dabek.

Director Piotr W. was given a very flattering reference at his place of work. He was said to be a "very industrious person of high ethical and moral qualities who tried very energetically and actively to put the economic reform into practice. He devoted considerable effort to social work, holding responsible positions out of choice." Thanks to his diligence, this 40-year old electronic engineer had advanced to the position of director in an important company.

Lecturer Janusz G. was a respected expert in his field, whose scientific knowledge was enhanced by practical experience. He was very eager to work together with industry. He had considerable scholarly accomplishments to his credit for a person of his age, having published 51 papers in Poland and six abroad. The other lecturer, Jan C., who is accused of bribery, had spent 3 years in Japan undergoing professional training period.

The trial will certainly go on for several months. The majority of the defendants confessed and have expressed their repentance during the investigation and in court. They will now have to pay for a mistake they made in their lives. The judicial system will weigh their guilt and mete out punishment. But who will be able to consider only the bad side of their

actions?

Thanks to their actions, Unitra-Telpod procured equipment which was otherwise unobtainable. Since March of this year the enterprise has been using the computer system bought from Dabek and set up by the lecturer. The equipment is in operation, yielding considerable benefits to the national economy, and has contributed to modernization of the plant and production. We are so far behind in the field of electronics that procurement of any new equipment comes at a high cost. It should not be forgotten that there is an embargo on this equipment in the West and that we would have been unable to buy these computers officially. Start-up of microcomputer production by Unitra-Telpod will be warmly welcomed. There is certainly a great irony in this entire situation, in that people who made an outstanding contribution to this accomplishment will spend many years behind bars.

Please do not get me wrong by thinking that I am calling for full exemption of these people from punishment. Tax offenses and bribery are prosecuted throughout the world. The prime ministers of rich countries have been forced to resign and monarchs to abdicate after it was proved that they took bribes. The only question is whether the Polish penitentiary system is filling its role properly. It has been said for some time now that in offenses of this kind punishment should be meted out in financial terms, something which would be very painful to the defendants but would be appropriate to their guilt and would not ruin their future. In my opinion, imprisonment does not perform all its educational or preventive functions in the case of the type of persons involved here, the lawyer, director, student, and lecturers. The more than 6 months of investigative detention have irrevocably ended their scientific and professional careers. Society could still derive benefit from these persons, provided that they are not ruined altogether.

Someone has reasoned along these lines in connection with this trial. Under our system, enterprises should be allowed autonomy in certain justified cases. Specifically, if Unitra-Telpod had received permission to buy foreign currency on the black market and then approval to buy the necessary equipment abroad without the intervention of the foreign trade centrals, this same equipment which it bought from Dabek could have been bought at half the cost. But if a director were to apply for such permission, it would be thought that at the very least he had gone insane.

We will follow the progress of this trial with great interest.

#### COCOM, USA Restrictions Blamed

Warsaw ZYCIE WARSZAWY in Polish 31 Jan-1 Feb 87 p 3

[Article by Zbigniew Siwik: "'Venture Capital' Under Arrest"]

[Text] The computer scandal broke out in Krakow, but it was national, even international, in scope. Various newspapers have written about it, how treasury inspectors accompanied by police found 5 million zlotys, 8,000 dollars, and 4,000 West German marks, a large amount of computer equipment, and copies of contracts for the sale of this equipment, for a total amount of 40 million zlotys, under the bed of an AGH electronics student. Much has been written about how a shrewd Argentine of Polish origin, a fellow student of the



person arrested, organized a network dealing in computer equipment. The surprisingly successful and illegal methods of taking foreign currency out of the country and of buying this currency from black market dealers in Krakow have been discussed in detail.

But not one of these articles has raised the question of the root of this affair, that this, the economic factors that paved the way for this lucrative, illegal trading in electronic equipment on an unprecedented scale. Probably around 70,000 dollars have been taken out of Poland, and the treasury has not been paid the taxes due it from the transactions concluded.

#### Double Embargo

The economic factors in this instance are chiefly external. For many years the Coordinating Committee for East-West Trade (COCOM) set up by the NATO countries and Japan have each year drawn up lists of goods subject for strategic reasons to restrictions on export to socialist countries. In addition to the list of goods subject to supervision and monitoring (from the viewpoint of quantity, for example) and lists of closely watched goods, there is the Strict Embargo List, that a list of goods that are totally banned.

And this list of goods subject to total embargo covers computers, including high-powered microcomputers, software for these computers, and all computer peripherals, including memory devices, without which this equipment is after all as useful as a man without a head. Only children's video games and simple electronic games plus obsolete components have been exempted from the strict embargo and transferred to the Qualitative Control List. This means that there is nevertheless monitoring to determine if a child's war game might be converted by the communists to a strategic game for staff officers in their units, or if obsolete electronic "remnants" might not be assembled into an entirely new system capable of guiding the flight of a missile.

Not until recently were floppy disks for microcomputers exempt in this way from the embargo. These disks are a replaceable information carrier, a handy means of storage for good quality computers and the only form of storage for the less powerful computers. A person who carefully observes the Polish microcomputer equipment market will immediately associate this with the appearance of large amounts of diskettes freely circulating for the first time precisely on this market. Computer programs had previously been recorded on cassette tapes. The recording process took several times as long and often reminded one of the printing of a single article in sections scattered among several regional newspapers. It is not surprising that only children had the patience to put up with such a system, and enterprises did not dare risk installing equipment with memory of this kind, especially since the poor quality of tape recorders such as the Polish-made Magnior PK 2000S often made recording on cassettes altogether impossible or corrupted whatever was recorded on them.

Of the COCOM countries, only Japan once proposed abolition of this organization and free trade with the East. The Reagan administration, on the other hand, exerts pressure constantly to have the Strict Embargo List extended and monitoring of its application intensified.

But Poland has an additional obstacle in its path, the United States embargo.



This embargo is interpreted broadly by the American administration, that is to say, it threatens to apply trade restrictions to Western firms, not just American ones, who sell to Poland goods with an American "content" exceeding 26 percent. Inasmuch as even the simplest electronic equipment on the European market has a higher American "content," Poland suffered until firms in Taiwan or Hong Kong who do not respect this embargo entered the Polish market.

In this situation it is obvious that there can be no question of Polish government companies bringing in good computer equipment, and even less so of importing software, from the West. This gap is filled today by Polish emigre firms, which either bypass the embargo by exploiting the not overly rigorous monitoring or buy equipment which is not original but is compatible with the IBM standard, on the West European market or from Taiwanese companies. These machines subsequently become the cheapest and the best with any equipment added by government companies.

This phenomenon has obviously been noticed in the West and has even been used as a cogent argument by some European countries against the United States position in COCOM. The FINANCIAL TIMES wrote 3 years ago that "the East is trying to import illegally ... the goods that it cannot obtain legally." So why not sell it legally?

The owner of the Hector trading firm (which bought components from the student network), engineer Wlodzimierz Luksa, says openly that "I don't know where they got the electronic equipment; that's not my concern. I sent the treasury confirmation of the transaction and I pay all my taxes. I can only say that I like to buy from such people, precisely because they are private dealers, and they are familiar with the sector and know where to buy products of good quality inexpensively. I don't like to buy from people coming in casually to sell me a single hard disk drive. These people came in, asked what I needed, and in 2 weeks I had everything. I was able to put an end to assembling computers. I was able to sell equipment, make a profit, and free up immobilized capital. I bought a gross of systems on the free market from individuals."

Last year the Hector Company sold five microcomputer systems to the Automation Institute of Warsaw Polytechnic Institute, three to the Data Processing Institute of Warsaw Polytechnic, six to the Institute of Telecommunications, seven to the Institute of Meteorology and Water Management, eight to the Institute of Ecology of the Polish Academy of Sciences, etc. A total of 87 systems no worse than the original American PC/XT and the latest IBM breakthrough, the PC/AT, with more memory and color graphics, were sold. Color graphics adapters and memory cards were bought by Krakow students, among others.

No harm has been done either to the Polish Academy of Sciences or to the Polytechnic Institute. On the contrary, they have been helped in their race with MIT in the United States.

### High Technology

This term used everywhere to define the latest technologies. If something is high technology, it is automatically a matter of interest and decision making

to COCOM. IBM computers are high technology. They were even more so 2 years ago. And precisely 2 years ago the director of the research and development unit of the Unitra-Telpod plants in Krakow presented his proposal for introducing new electronic products which were to be designed with the aid of a good microcomputer. It was known even at that time that, despite the spectacular success of Apple Computer, the IBM was becoming the world standard, and, although these magnificent microcomputers were totally unavailable on the Polish market, the research and development unit director nevertheless intimated that he would be able to buy them.

Two IBM PC/XT with less memory were purchased through the Comintex Service and Production Labor Cooperative, and a PC/AT with much more memory through Bomis in Krakow. Two smaller minicomputers were for some time in the possession of the Academy of Mining and Metallurgy, whose electronics institute had used them to develop a method of automatic measurement of thick-layer temperature sensors, which are now a modern Telpod product.

After completing its project, AGH turned the computers over to Telpod, and they were set up in the plant computer center. Together with the more modern IBM PC/AT and the terminals connected to it, they are used to assist in planning and design of electronic elements and for storage and processing of data on 1,500 contractors, 5,500 personnel, 56,000 different products, 14,000 material items, 139,000 potential stock items, and more than 200,000 financial transactions concluded during the year. They will soon assume all the tasks now performed by three external computer units of other institutions.

Data processing experts of Telpod, engineer Krzysztof Wachulec and data processing technician Slawomir Kwiecien, both agree today that better equipment could not have been selected 2 years ago and that to this day it is some of the best in the country. These two did not work at the enterprise at that time, and so their opinion can be relied on. The only surprising thing is that the students gave millions in bribes to the director of the research and development unit and the AGH scientific personnel for selecting the equipment introduced into Bomis and Comintex, inasmuch as few people in Poland had even heard about the PC/AT 2 years ago.

The students seem to have taken care to maintain good commercial relations for the future if competition were to arise. That is, as the general director of Telpod, engineer Stanislaw Kalicki, invited to the enterprise after the affair had been detected, recalls, the prosecuting attorney admitted that the money handed over was not of the nature of an ordinary bribe but rather of a commission given following conclusion of a transaction or an advance payment on the next one. Director Kalicki today regrets that at the time he did not obtain an independent expert opinion and placed unlimited confidence in the director of his research and development unit ("Can you imagine running such an enterprise without relying on experts?" But after a moment's reflection he added that "I did treat the opinion of the AGH scientists as independent, and even if I had turned to someone else, who could have given me better advice on a source for procurement? At the time, the Polish enigre firms were not offering systems compatible with the IBM PC/AT."

I looked at the machines, and for the first time I saw high-capacity memory cassettes, which have better parameters and are dozens of times cheaper than the Winchester hard disk storage universally used by IBM. Despite this fact,

the prosecuting attorney allegedly said, on the basis of evaluations made by independent experts, that the amount of the entire transaction concluded by Telpod with the students through Bomis and Comintex exceeded by 30 million zlotys the actual value of the equipment expressed in zlotys. These embargoed computers were bought for zlotys. And the prosecutor is probably right--the exceptional attractiveness of the equipment, the possibility of buying with zlotys, the absence of other sources of supply, and the mafia-like cooperation among the two AGH personnel, the research and development unit director, and the students had their effect.

It was possibly a good thing that the young computer sector was given a cold shower and that many persons came to realize that it is best not to play around with regulations. The question nevertheless remains whether the provisions of law meet the needs of the economy. After all, they should.

In the United States, which imposed the embargo on us, there is the concept of venture capital. This is capital of an investor operating in new fields, not always in accordance with the law. The investor applies half of his funds to development, and earns profits half again as high as he normally would, but also goes bankrupt more often. However, the United States government assists in the development of venture capital, levying a tax on it no higher than 20 percent, while Polish private computer firms pay a tax of 80 percent on profit. Hence procurement of parts from individuals is also a way of lowering costs and so of increasing the volume of profit without additional investment and without imports, which are in any event restricted by the embargo. Can we do more for native Polish venture capital than merely understand it?

6115

CSO: 2600/394

## ECONOMISTS AT PRESS CONFERENCE DESCRIBE NEW REFORM PLANS

Warsaw RZECZPOSPOLITA in Polish 3 Apr 87 pp 1, 2

[Unattributed article: "Betting on Entrepreneurship"]

[Text] "The contents of our meeting will relate to the discussion at the last plenary session of the Economic Reform Commission and to the decisions of the meeting of the Secretariat of the PZPR Central Committee on 31 March on the further reform of the economy," stated Jerzy Urban, government press spokesman, at the beginning of the press conference on 2 April 1987.

Prof Zdzislaw Sadowski (chairman of the Consultative Economic Council), Tadeusz Nowicki (deputy chairman of the PZPR Central Control and Revision Commission), Marek Holdakowski (head of the Economics Section of the PZPR Central Committee), and Andrzej Wroblewski (member of the Secretariat of the Economic Reform Commission) participated in the press conference.

"The direction of our intentions in the process of further transforming the economy is known; the essence of the next stage of the reform is the acceleration of the changes that will liberate entrepreneurship, the activity of the economic subject, and all of society," Prof Zdzislaw Sadowski said in his opening statement. "The starting point for recent discussions of the economy is the working document 'The Second Stage of the Reform: Goals, Directions, Solutions' prepared by the commission's secretariat, that contains many bold, at times varied solutions. It is still unfinished."

"Today the major issue," Prof Z. Sadowski continued, "is the creation of a concrete program of actions and the determination of methods leading to a radicalization of the changes in the economy. Thus the consultative Economic Commission is concentrating on developing so-called approaches to the desired model of the economy. They must include long-term undertakings and a list of immediate actions that can produce socially noticeable results in a short time, even if they are only a reduction of the bureaucratic limitations or a simplification of procedures used in the economy."

"Today the three most important areas of action," Prof Z. Sadowski stated, "are effective achievement of stability, the creation of conditions for the development of entrepreneurship, promotion of the expansion of all sectors of



the economy. The third priority is demonopolization and opening a path for competition."

Among the most important items of economic policy, the speaker included the need for structural changes (including elimination of inefficient producers) and the stimulation of exports to make Polish products competitive abroad. The third task is associated with the strengthening of the active role of the banking system, an appropriate credit policy. The transformation of the central economic administration is the fourth crucial area of change which should limit central distribution and relieve it of the role of being founding bodies for the enterprises.

Director A. Wroblewski then spoke about the most important system-level measures being prepared. Among them are the elimination of limitations and the facilitation of flexibility in economic activity, for the formation of various types of new enterprises, partnerships, including private capital with state capital in some units. Changes in the wage system for management personnel to make them directly dependent on the performance of the enterprises under their management are also anticipated. In the banking system, the intention is to make the Polish Security Bank a separate, independent unit; and as part of the return to communal ownership, communal banks will be formed. The tax system for private individuals is to shift to a general tax on personal income, and the tax system for enterprises, to a tax on so-called value added. During the next two or three years, all the regulations governing the economy will be reviewed in order to simplify them and to systematize the legislative principles. The sale of bonds to private individuals is also being considered. The creation of stock companies that would be able to sell their employees non-transferable shares of stock is to be discussed.

"The last meeting of the Secretariat of the PZPR Central Committee," said Marek Holdakowski (head of the Economic Section of the PZPR Central Committee), "was devoted to a discussion of the practical aspects of further economic reform. The immediate problem is the rapid preparation of a document that will be the basis for discussion to elaborate the further measures and steps to be taken in the economy. In particular, the discussion will include the 300 largest enterprises in the country, their managements and the socio-political activists. It is very important," the speaker noted, "for the introduction of stringent procedures to gain social acceptance and approval, for the self-managements, trade unions, the units of the Patriotic Movement for National Rebirth, and all civic organizations to support such action."

"We cannot forget," M. Holdakowski said, "that the second stage of the reform includes a range of austerity and disciplinary actions that W. Jaruzelski mentioned during the deliberations of the Economic Reform Commission. The reform is an issue for the entire party, the responsibility of its members especially those who hold management positions. They must systematically meet their responsibility."

Developing this thought Tadeusz Nowicki, deputy chairman of the PZPR Central Control and Revision Commission, stated that the commission and all of its local agencies drawing on the results of the occupational inspection and the

Worker-Farmer Inspectorate will pay particular attention to deviations from thriftiness and irregularities in the economy.

After these statements a long series of questions and answers followed. The phrase "the second stage of the reform" aroused doubts. When did the first stage end, and what were its results?

Prof Sadowski noted in his answer that personally he does not support this formulation and emphasized that it accents the desire to accelerate the transformation of the economy. The reform's results so far are available in the reports on its implementation, and it is too bad that they are not so well known. "The results are mixed," the professor stated. "Thus, we have the differing opinions of the optimists and pessimists. The truth lies somewhere in between."

"What other steps besides price increases will strengthen economic stability?" was another question. "Price increase cannot by any means be considered the only instrument for achieving stability," Prof Sadowski emphasized. "That process is a whole complex of broad measures consisting of both increasing supplies of goods as well as reducing demand. But demand has great significance for the supply of materials and investments. Thus stabilizing the economy must include raising its efficiency, with economizing measures so that the same products can be produced while reducing the consumption of fuels, energy, and raw materials. Price movements are only a supplement to these steps."

"As regards the barriers to further implementation of the reform," the answer continued, "overcoming those in people's consciousness is of great importance. The fact is that there is animosity in society toward individuals with high incomes, even toward those whose actions greatly benefit everyone (innovators, rationalizers, creators); and we must overcome such attitudes."

13021

CSO: 2600/502

## GOVERNMENT DAILY EDITORIAL ON PRICE INCREASES

Warsaw RZECZPOSPOLITA in Polish 25 Mar 87 p 1

[Editorial: "One cannot Ignore Economic Laws"]

[Text] The statement of the trade unions published last week and the statement of the government on price and income issues in the 1987 Central Annual Plant are a reflection of the economic and social rank of the problem. Attention centers on the basic question: Must prices rise and what causes them to rise and what are the economic consequences?

For the last few years, prices have again begun to perform their information function in Poland; they are becoming a reflection, though not a complete one, of the relationship of supply and demand.

Prices increases are undoubtedly a social burden, and they are treated in an emotional manner. Experience (of which we have had plenty in Poland), however, teaches that economic laws cannot be circumvented, that they are sensitive to administrative actions, and all emergency attempts to ignore these laws damage the economy and weigh down society for many years.

Obviously, price increases can be limited to a level that society does not regard as a burden. But this requires meeting particular conditions. Above all the proper relation between wage increases and increases in productivity must be regained or rather introduced. As long as wage increases exceed (and significantly so) increases in productivity there will remain a supply of money which is not covered by goods. Thus the danger of losing economic stability that can be only partially preserved by significant price increases will remain.

The next prerequisite is that the enterprises' top priority must be a constant drive to lower the costs of production, largely by introducing new techniques and technology that guarantee reductions in the consumption of raw materials, materials, energy, and fuels per unit of production. Given the trend of constantly increasing production costs, limiting price increases is unrealistic.

There must be significant improvement in the use of the working day, in increased worker discipline, more effective management, the introduction of

the multishift system, and radical improvement of quality which in turn depends on ensuring supplies appropriate to needs. Intensification of foreign trade, an increase in highly processed products in exports, and a reduction of the proportion of raw materials are also essential.

These are not new, recently discovered prerequisites. All appear in the country's socio-economic development plans both annual and long-term prospective ones. They are the content of the government's economic policy. They are identical with everything that contributes to improved efficiency of production, to a shift to intensive development. The greater the productive efforts and the more frugal the enterprises, the lesser the need for price increases and the lower inflation.

The government is simultaneously pursuing a policy of protecting the living standards of people who through no fault of their own find themselves in the most difficult material situation.

The alternative, the lack of imagination in price policy, maintaining them, despite the elementary economic laws, at the same level, can only produce empty shelves, constantly spreading shortages of goods. This alternative cannot find approval in society.

13021

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## DAILY REPORTS WESTERN PRESS COVERAGE OF PRICE HIKES

Warsaw RZECZPOSPOLITA in Polish 30 Mar 87 p 7

[Unattributed report: "Foreign Reactions to the Price Increases in Poland: An Element in the Austerity Program"]

[Text] Nearly all of the large press agencies reported the price increases in Poland on Saturday evening, although none of them regarded them as such an important event that it merited an urgent report or inclusion among the most important world events for Saturday.

All reports from Warsaw drew attention to the authorities reduction of the price increases for food from 13 to 9.6 percent as a result of negotiations with the All-Polish Convention of Trade Unions which opposed the original government proposal for increases.

France Presse which was the first to report the communique of the Ministry of Finance writes that in the opinion of observers the package of increases is part of an austerity plan which is to restore economic stability in Poland, which is seriously in debt and desires to obtain new credits, especially from the IMF.

The Associated Press recalls that Wojciech Jaruzelski's speech this past Wednesday announced acceleration of the reform to lead Poland out of the state in which it has found itself as a result of the economic collapse at the beginning of the 1980's.

Many of the agency reports noted the statement from the official commentary broadcast on Saturday evening by radio and television that the government realizes that price increases are not appreciated but constitute an economic necessity and not introducing them this year would be harmful and dangerous economically.

The Associated Press, France Presse, and UPI report that the IMF also expected austerity measures from Poland. According to the Associated Press they are a prerequisite for Poland to obtain badly needed credits for modernizing its economy and paying its foreign debt. The UPI writes that last June when Poland again became a member of the IMF, after many years absence, the fund pushed for price increases to the level of production costs.

The West German DPA believes that the increases are drastic but reports that price increases for food will be "less than the government program for 1987 planned, for they took the trade unions' opinion into account." As a result of the union's intervention the compensation for the lowest income groups will be greater than initially planned. The DPA writes also that the price increases for coal, gas, and electricity are to encourage people and industry to conserve more energy.

The agency reports to its West German readers that the previous retail price for coal in Poland covered barely half of the production costs. As regards the price increase for vodka by 20 percent, the DPA adds, that the government justifies it as a part of its anti-drinking program.

In its report on the reduction by one-fourth in the price increases for food, the Associated Press cites the opinion that yielding to the trade unions will hamper the attempt to reduce subsidies on consumption articles and equalize supply and demand, and thus to ensure the key elements for the next stage of the reform.

The agencies drew attention to the special program on Polish Television on Saturday evening on which viewers could express their opinions and question representatives of the Ministry of Finance and other ministries.

13021

CSO: 2600/502

## REGULATIONS ON HARD CURRENCY RENEWED

Bucharest REVISTA ECONOMICA (Supplement) in Romanian 10 Jan 87 pp 12-13

[Article by Dr Dan Drosu Saguna]

[Text] In the preceding issue I presented the basic regulations of the hard currency system, particularly those concerning physical persons. In the following I shall show the responsibilities resulting from violation of these legal standards.

1. Criminal responsibility. In accordance with Decree 210/1960 the following are infractions in the legal system of hard currency and circulation of it on the territory of our state:

The act of not turning over, giving up or declaring hard currency in the cases and terms provided by law. In order to find ourselves faced with this infraction, it is necessary for these conditions to be fulfilled cumulatively: the existence of the requirement to turn over, give up or declare; legal receipt of hard currency; exceeding of legal terms. In this regard, for example, Article 5 of Decree 159/1984 provides that Romanian citizens employed abroad are required to declare incomes obtained in hard currency within 30 days of its receipt at the Romanian diplomatic or consular missions. In special cases these terms may be extended, but not more than 30 days, however;

The act of the person who, in order to withdraw from fulfilling the requirements to turn over, give up or declare hard currency, makes it disappear, destroys it or uses it improperly (the means by which a person makes it disappear or destroys it is less of interest than the disappearance or destruction of it); by "improper use" the law refers to acts of deterioration or falsification due to which the hard currency can no longer be used as such; according to Article 37, paragraph 11 of Decree 210/1960, the incriminating acts are aggravated forms of the infraction since these actions make it impossible for the state to have possession of the hard currency;

Violation of the regulations on circulation of hard currency on the territory of our state by carrying out operations prohibited by law. By operations with hard currency we understand any acts which give rise to, change or wipe out rights or requirements for this hard currency; these are operations with hard currency such as sale, purchase, depositing, contracting of rights or requirements with foreign countries in any currency, actions in the account or in favor of foreigners, introducing into or removing from the country the documents with the hard currency, physical transportation and so forth.

In this regard, the prohibited operations are as follows:

The act of a person who, in order to gain possession of an item, hands a foreign citizen the proper amount, after which he receives the item the person bought;

The purchase of an item from a person residing abroad;

A donation made without authorization of the competent bank units to a Romanian citizen;

Acts of selling or buying hard currency, regardless of whether the seller holds it legally or not.

Article 37, paragraph 3, gives what are considered aggravated operations with hard currency which are prohibited; they are:

Buying hard currency for the purpose of reselling it;

Contributing to the sale or purchase of hard currency for the purpose of obtaining material gain;

Illegally moving hard currency over the border; referring to this situation it is necessary for some specifications to be given; persons residing abroad may take out from the country the hard currency they brought in and did not use as well as hard currency obtained in Romania, under conditions of the law; also, persons residing in the Socialist Republic of Romania may take out of the country, without authorization, the currency they have obtained under conditions of the law; as a result, prohibited operations would be the case in which persons residing in the Socialist Republic of Romania or those residing abroad take out of the country the hard currency obtained illegally.

In the end, Article 41 of Decree 210/1960 provides that operations with hard currency which have caused or could have caused significant harm to the state's financial-currency interests are in the nature of organized traffic.

2. Contraventional responsibility. The regulations in effect regarding the system of hard currency provide for certain acts of a lower degree of social danger which can bring contraventional responsibility.

In this regard, the elements constituting the contraventions comprise the following:

The act of the traveler who does not declare the amounts of lei, passbooks and CEC duties (Article 38 of Decree 210/1960) to customs organs upon leaving or entering the country;

Use of hard currency of persons residing abroad in ways other than through the National Bank, the Romanian Bank of Foreign Trade or authorized organizations (Article 39 of Decree 210/1960);

Not bringing back into the country the amounts of lei taken out when leaving for abroad with these conditions (Article 45); we do state that taking out certain amounts of lei from the country was permitted to make purchases from the border until home; these provisions were changed in the sense that the amounts of lei



no longer are taken out of the country but should be turned over to the customs organs and, on the basis of a document issued by it, received when returning to the country, regardless of the border point used.

Along with the penalties provided for infractions and contraventions of the legal system of hard currency, legal provisions further provide for confiscation as a complementary penalty.

Thus, Article 38 of Decree 210/1960 points out that "nondeclared currency is confiscated," while Article 39 of this act provides that the currency involved is confiscated. Also, Article 43, paragraph 2, provides that "in all cases confiscation of the currency involved is to occur for the reason that it served in committing illegal acts or held contrary to legal provisions." Finally, Article 46 and 47 mention that the person involved is to be required to pay the equivalent amount when the currency is not found.

3. Responsibility for assets . Along with criminal responsibility, in some situations connected with job activity, civil responsibility also operates. Also, in cases where the elements of an infraction are not found, material responsibility for damage done the socialist units through lacks of currency are applied.

In such cases, the provisions of Decree 373/1976 are applied; Article 1 provides that the equivalent in lei for harm done the state by lacks of currency is calculated at three times the official rate of exchange with an additional premium for the currencies of nonsocialist countries and two times the noncommercial rate for discounts of noncommercial payments for the currencies of the socialist countries, in the following situations: a) for currency placed at the disposal of Romanian personnel sent abroad and used for other purposes or without respect for the conditions in which it was given as well as in the case of failure of legal justification for the amounts for which authorization to transfer payment abroad was obtained; b) for amounts in currency due the Romanian state by persons residing in the Socialist Republic of Romania, guilty of failure to respect the legal requirements for declaring, turning over or giving up to the state the currency, as well as cases of prohibited currency operations as many times in these situations that the currency cannot be confiscated; c) for lacks found in the management of personnel in Romanian units for currency taken from the bank and not utilized for the purposes for which it was given; d) for lacks in the management of persons handling amounts in currency in the economic units authorized to carry out operations with foreign currency; e) for lacks of currency found in the management of banking unit personnel; f) for currency issued without legal basis or beyond legal ceilings to Romanian citizens traveling abroad in their personal interest.

In those cases where the damage is the result of conciliation of foreign complaints, giving reductions or where foreign expenses were incurred to remedy defects in quality as well as in the case where, following decisions of international arbitration organs, penalties and interest were paid, the loss is determined by totaling the expenses in currency converted into lei at the rate of return of the products which are the subject of the foreign sales contract involved.

## GREATER USE OF SIMULATORS IN TRAINING URGED

East Berlin VOLKSARMEE in German No 2 1987 (signed to press 5 Jan 87) p 3

[Article by Col Gen Joachim Goldbach, deputy minister for national defense and Chief, Technology and Armaments: "More Intensive Through Computers, Trainers and Simulators; A Higher Quality of Combat Training Requires the Wide Application of Modern Training Equipment; Innovators and M2M Movement Offer Great Potential"]

[Text] In his interview with VOLKSARMEE upon the conclusion of the 1985-86 training year, the minister for national defense, Col Gen Heinz Kessler, stated: "Clearly-defined results in all components of the armed forces and in the border guards of the GDR were achieved in the intensification of training through the use of computers, trainers and simulators."

This positive development proves convincingly that under the leadership of the commanders and the party organizations, the members of the army and the civilians in the National People's Army and in the border guards of the GDR have, through their vigor and creativity, successfully mastered the tasks in all areas of political and military activity resulting from the qualitatively new relationship between science and the military, between scientific-technical progress and a high level of combat readiness. In so doing, particular attention has been devoted to the greater demands made of each member of the army, and thus of the effectiveness of combat training, resulting from the introduction of modern and modernized combat technology, armaments and equipment. Through effective political-moral and psychological preparation of the members of the army and by strict leadership of the process of combat training, it was possible to further increase the effectiveness of combat training and to even better adjust to the complex character of the changes in general combat.

## Use of Key Technologies in the Military as Well

The experiences gathered and generalized in recent years have demonstrated emphatically the important role played by the wide-scale use of trainers and simulators. This modern training equipment is contributing in all components of the armed forces to improving the quality and effectiveness of combat

training to an increasingly tangible degree. It makes it possible to make effective military use of the performance parameters and possibilities of existing combat technology, armaments and equipment. Using it, it is possible to pass along fundamental knowledge and skills more quickly, efficiently and economically and to better keep them at a constant state of perfection than is possible with the exclusive use of combat instruction and combat technology.

It is being seen here that the further development and perfection of this special training technology is increasingly characterized by the application of advanced know-how in the use of key technologies in the national economy and in the military.

The targeted use of the various possibilities of modern data processing technology, microelectronics, optical electronics and laser technology are important areas of application for which more intensive preparations must be made.

At the same time, this is in keeping with the calls being made by our party to the effect that the qualitative factors of the intensification of all processes of military life be effected more forcefully and that modern military and scientific findings be deployed for an increase in the effectiveness of combat training. The task of training as effectively and economically as possible is based:

--militarily on the need to ensure a state of armed combat readiness such that the fulfillment of each required task is assured in any situation;

--in terms of military technology, on the growing degree of complexity of combat technology and armaments, on the ongoing integration of means of reconnaissance, fire control and destruction, and on the increasingly all-encompassing application of the most modern electronic resources in the overall process of troop command;

--in terms of military economics, on the fundamental problem of further effecting vital improvements in the ratio of military results to economic expenditures.

In keeping with these general requirements, the goal of doing justice to the relevant concrete circumstances for combat training with ever greater effectiveness increasingly requires long-term, conceptual work.

#### A New Type of Military Technology

The general task of the trainers and simulators--structuring the process of combat training more effectively and productively, if possible in some other way--demands further reflection in the following areas:

1. Next to combat, command and repair technology, trainers and simulators have become a new type of military technology. From this emerges the need to carefully understand all related questions, including those dealing with repairs and maintenance, and to thoroughly resolve them.

2. Looking ahead, the growing importance of simulator processes means that steps must be taken to ensure that the programs for the computers linked to training equipment can, if necessary, be further perfected, and that the possibility of an increase in the number of available office computers can be utilized in general.

This will have a crucial effect on how quickly the necessary increase in combat readiness can be achieved. The multiple use of elaborated programs will thus have a positive influence on effectiveness.

3. The development, production, acquisition and deployment of trainers and simulators requires extensive intellectual, material and financial outlay. This means that strict standards must be set with regard to the expediency of the planned deployment, of the applicable technological options, of economic use and of the extent to which this equipment is to be introduced among the troops. A great deal of importance should be attached to questions of unifying and standardizing the equipment.

However, doing justice to the growing demands on combat training also means that previous experience gained from the use of trainers and simulators must be summed up, evaluated and generalized. In terms of the technological possibilities of this training equipment, the following points must be kept in mind:

--Training on trainers and simulators must be properly integrated within the overall temporal training sequence, and requires theoretical knowledge and, to a certain extent, practical capabilities and skills, as well as knowledge of the principles of application and provisions regarding safety.

--In determining the respective training goals, the extent to which trainers and simulators are to be used in order to assure complete mastery of the basic technology in the shortest period of time possible must be established.

--The training of the members of the army responsible for servicing and maintenance is to be structured more concretely through the targeted use of the trainers and simulators.

This helps to expand knowledge of the way in which individual systems function and in this way to make it possible to find errors in practice with greater speed.

#### With Creativity and Initiative

It is highly significant that it was possible at an early stage to direct the creativity and initiative of innovators and inventors towards the development and perfection of trainers and simulators. With the development of more than 2,000 automated training units, they brought about a phase of economic savings in the area of combat training.

The 29th ZMMM (Central Fair of the Masters of Tomorrow) demonstrated convincingly that a qualitatively new stage is to be achieved by the wide-scale application of key technologies. This found visible expression in,



among other things:

--The computer-aided tactical procedures trainers by the youth innovators collective of Commander Heese of our People's Navy;

--The universal jamming unit for training operators of army anti-aircraft radio electronics by the innovator collective of Lt Col Wings of the ground forces;

--The training unit for helicopter pilot training by the youth innovator collective of Lt Col Raabe of the air force/air defense

These are the necessary prerequisites for orienting the main forces of the innovator movement by 1990 towards the continued development of existing trainers and simulators and towards the development of new, compatible ones with complex applications that permit the real simulation of the psychological and physical influences that can be expected under combat conditions.

Besides studies on the optimal deployment of trainers and simulators for training troops for weapons systems, however, samples for the simulation of combat and duel situations using video technology and computer graphics systems also constitute an important focus.

Based on experiences in the development, perfection and use of trainers and simulators in the combat training process, it will be possible to successfully master the growing demands in this area as well.

12271

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## IMPROVEMENT IN BASIC RESEARCH ADVOCATED

Prague RUDE PRAVO in Czech 27 Feb 87 p 1

[Editorial: "To Combine Education with Scientific Endeavors"]

[Excerpt] Colleges and universities are educational and training institutions and at the same time, also high-level scientific research centers which carry out, among other things, a considerable part of all basic research programs. Together with the Czech Academy of Sciences and the Slovak Academy of Sciences, they set the groundwork for the future stage of R&D

While on the one hand the departments in the institutes of higher learning have achieved excellent results in discovering new, effective products, designing constructions, etc, and are training outstanding scientists from the ranks of students who work there side by side with experienced scientists, in other departments with similar directions there are experts who enjoy a life in tranquillity. Instead of making creative contributions, they are quite satisfied with the titles they have gained, and are anxiously watching out for any potential competition in their field. If the struggle against the students' mediocrity and the search for ways to establish a proper scientific and political atmosphere for genuinely creative scientific work have already begun, then the time must come when our institutes of higher learning get rid of educators whose standards as teachers and experts are low even if some of them have been tenured for years.

Not only the fact that our institutes of higher education have joined the Prague appeal, but also its specific and informal results have demonstrated that ways may be found for more expeditious practical application of R&D achievements. The researchers from the Czech Institute of Technology, the department of medicine at Charles University, the College of Agriculture in Prague, the Institute of Technology in Brno, the Institute of Chemical Engineering in Prague, and others have accomplished their tasks with outstanding results. Nevertheless, they must work even more patiently with teams of individual participants in the solution of common problems, to defeat red tape more resolutely, and obtain more cooperation from enterprises when in need of special equipment and necessary instruments.

If we speak about the acceleration of our socioeconomic development, we must reform other areas as well. Among other things, faculties must be expanded

by additional experts. For example, it is out of proportion for the CSR institutes of higher learning to add in the Eighth 5-Year Plan only 227 scientists out of a total increment of 11,900 experts. The same problems concern technological equipment which is the reason why graduates who in most cases had worked in school with antiquated equipment are stumped by unfamiliar technology in their new workplace. The root of these problems may be sought in the unresolved issues of financial support for sciences in colleges and universities, including wage problems. While our sciences are centrally managed, financial backing for them comes from the funds of each republic.

There are other trouble spots -- such as the fact that the number of students per each professor is substantially higher than in most advanced states, and therefore, very little time is left for R&D endeavors. In addition, creative scientists must also attend to great many auxiliary duties, to the detriment of their own scientific efforts.

Our planning and other agencies must deal with these shortcomings. However, colleges and universities themselves must help improve the results of their R&D programs, above all, by creating a more critical atmosphere in every department for the rating of each expert's accomplishments, and also by appointing politically experienced school officials to search for bright, energetic and talented students with whom they must conduct systematic political, professional and scientific work and give them well-planned assignments for individual study, and so on. This is one of the ways to train future cadres for increasingly demanding tasks and also outstanding experts for their future career; naturally, their further growth must be encouraged even after they graduate.

All this was recently the topic of critical discussions at annual membership meetings of the communists from the basic CPCZ organizations in our institutes of higher education.

In addition, they focused on the fact that the program for the restructuring of our economic mechanism confronted our colleges and universities with structurally novel tasks. It was underscored that new, progressive and highly efficient methods of collaboration in economy and R&D must be sought and implemented even more efficiently in international economic cooperation, and that in the future the long-planned law on post-graduate study would play a meaningful role in the system of life-long education. Thus, graduates will be returning again and again to colleges and universities to expand their knowledge and to upgrade their specialization or to learn completely new skills, because scientific excellence cannot be achieved without the best possible training of experts -- which is what we want above all.

9004/12851  
CSO: 2400/171

## HAVASI SPEECH TO MSZMP CC PLENUM ON ECONOMIC TASKS

Budapest TARSADALMI SZEMLE in Hungarian No 12, 1986 pp 3-13

[Article by Ferenc Havasi, member of the MSZMP Politburo, and CC Secretary: "The Prerequisite for Progress--Better Utilization of Resources"]

[Text] 20 months ago, the 13th congress accepted a clearcut political program and economic policy which was agreed upon and supported by the people. The congresses of the trade unions, the Hungarian Communist Youth League and the Patriotic People's Front and the general assemblies of other social organizations set their tasks for the following years with responsibility and played a major role in that the social and economic program accepted by the congress has become a national affair.

The implementation of the congressional resolutions has begun in all fields, however, progress has been uneven, and especially the economy-building process has fallen behind the requirements.

We can count among our achievements that the development of the socialist democracy, of the system of political institutions and of the economic mechanism has continued.

The essence of the congress' economic policy program is to give priority to the improvement of the internal and external balance. In its policy concerning living standards it aims at the halting of the reduction of real wages, a modest improvement of living standards and conditions and increasing the economy's ability to produce more income and foreign exchange. As a basic means of accomplishing these goals, the congress identified the genuine further development of the economic management system and the implementation of different centrally determined social and economic programs attached to the 7th 5-year plan.

As a result of the early achievements of the implementation, national wealth grew in 1985-86 as well. Including investments by the population (private construction), we invested approximately 500 billion forints; new industrial plants, such as the no. 3 reactor bloc of the Paks Nuclear Plant or the new Dunaujvaros coking works, started production. 150,000 new apartments, with a



better quality and of a basic area almost 20 percent larger than the older ones, have been constructed. Several theaters and cultural institutions have been rebuilt. The new hospital beds, the expansion of the road system, the new or renovated bridges have--however modestly--improved the living conditions of the population.

The financial growth was indicated by the fact that during this time the population bought more than 200,000 cars, 300,000 color TVs and more than 50,000 video recorders. Savings deposits grew by approximately 53 billion forints and, as a new form of savings, the population bought bonds for about 7 billion forints. It can also be regarded as an achievement that although our debt in hard currency has increased, the country complied with its payment obligations.

In the last 2 years numerous company decisions and resolutions were made that are in agreement with and reflect our political aspirations. The essence of these is the exploration of intensive growth potentials, the change of company profiles, the modernization of company structures, personnel cutbacks, joint ventures between companies and the formation of more perfect systems of interest within companies. The infusion of operating capital (into the economy), the development of intercompany connections and the establishment of joint ventures with foreign companies, including socialist ones, have accelerated.

Despite the growth, it has to be noted that mostly allocation goals were reached, but the development of the economy as a whole did not meet the requirements set out in the congress' resolution. Although certain industries and branches started a more economical resource management, the economy as a whole did not experience growth or invigoration. On the whole, the country continues to consume more than it produces: the process of improving the internal and external financial balance has broken.

What happened in the economy after 1984, why the improvement of the balance experienced during 1983-84 failed to continue, and what factors played a role in that we could not boost economic growth?

Among the reasons for our falling behind there are a number of objective factors upon which we have hardly any, or no influence.

As the first group of these factors, I have to mention the further deterioration of foreign market conditions. The drastic decrease in the export prices of our agricultural products is demonstrated by the drop of the selling price of corn from \$140 2 years ago to \$70 to \$80 now, and of wheat that can be sold for approximately \$90 instead of about \$150 2 years ago. Meat and meat industry products can also be marketed at a price 35 to 40 percent lower than 2 to 3 years ago. The price of carbohydrate derivatives also plummeted, by 40 to 50 percent in the case of exports to capitalist countries.

The development of the oil market affects our situation in another way, too. Due to their revenue losses from oil exports, those oil producing countries that so far have been buyers of Hungarian products, now buy much less and at

more unfavorable conditions from us. It adds to our problems that a part of our export goods still meet discrimination--mostly in the countries of the Common Market. Requirements are becoming higher and higher in the socialist countries as well.

The second group of objective factors is the structural problems of our economy. These reflect not only the change in foreign market conditions but also the legacy of our past.

For example, iron metallurgy faces such problems. To renew the production structure of this branch, the government recently made a decision about supporting it with several billion forints, but we still cannot say that we are on our way to a final, satisfactory solution. Similar is the situation of coal-mining, which, with increasing production costs, requires increasing state support to be able to fulfill its tasks. The products of our aluminum industry, built on our wealth of bauxite and developed with costly investments, have also been devaluated. The same happened to the bulk of our olefine industry products. Despite costly reconstructions, our light industry was not able to really improve its competitiveness. Also the products of our food industry meet price and trade barriers to an increasing extent on the world market.

The production, i.e., the revenue losses of the enumerated branches should be substituted by the so-called progressive, prime industries, such as the instrument, telecommunications, pharmaceutical industry and precision chemistry. The pace of growth of these industries is still above average, nevertheless, to be able to make up for the revenue losses of the troubled branches their production should be more competitive and be increased by an estimated 15 percent a year.

Among the objective factors, I have to mention the drought that has struck the agriculture for several years. This year alone it led to a loss of 12 billion forints of revenues. These problems are not lessened by the fact that this year's 14 million tons of cereal crops is the fourth best harvest in the years after the liberation.

The above mentioned external and internal objective factors undoubtedly play a role in the unsatisfactory performance of the national economy. However, subjective factors that we can influence, like the deficiencies of the economic management and the poor performance of directors, have contributed at least to the same extent to the formation of the present situation.

Among these we have to mention the following:

1. We have not been able to use all the instruments of our economic management to the necessary extent, i.e., the planning, the regulation and the institutional system of the national economy, to improve the external and internal balance and to explore new resources which are indispensable for the invigorating the economy. A situation has come up in which we cannot rely on the old resources--the curbing of domestic consumption--any more, while we cannot yet rely on the new, intensive factors, first of all, the improvement of the economy's revenues and export producing ability and the change of its structure.

2. Neither planning, nor regulation have been able to adequately follow the accelerated foreign and domestic changes, to find and form a way of developing the Hungarian economy in accordance with foreign economies. The planning organization and the management have to take charge of planning also structural changes along with main proportions, growth and balance. If this process is not guided by the plan, if these tasks are not integrated in the national economic plan, if it is not adequately supported by the regulators then there is no assurance that changes in the future will be realized smoothly and without the occurrence of shortages. Regulation has to be able to convey both selective invigoration and selective regression.

3. Attempts to coordinate national and company interests have failed for years. For instance, since 1985, when the economic management increased efficiency requirements to regulate capitalist exports, a part of the companies--according to their own interests--renounced their most uneconomic exports as they had possibility to make up for them by conquering other markets. These companies got out winning, however, the country will be affected by the resulting loss of dollars.

There are troubles in creating harmony between incentives and rigor--either incentives are "too good" or the rigor is worrisome. Our whole tax and subsidy system is characterized by laxness, there is a lack of the necessary financial discipline, subsidies and credits are easily accessible. Companies achieve a part of their revenues by raising prices, not by improving their management. Quite naturally, the company acts according to its own interests, planning and regulation, however, should find a solution so that the company meet national demands, too. Therefore, cooperation among central management organizations, organizations representing companies' interest and companies needs improvement.

4. The weaknesses of the continual central economic management and organizational work have to be mentioned among the subjective factors. This important element of the direction has not functioned satisfactorily in the past 2 years. Decisions about important export and import issues or about the prevention or avoidance of market problems are made with much delay.

5. Another problem to be addressed is the considerable overlaps and parallel activities in the work of top organizations of the economic management that weaken the efficiency of the direction.

6. Progress is also made difficult by the fact that we have failed to consistently implement the already decided further development of the economic management system. We have done a lot in form, but genuine progress is much slower than planned. This is especially true for the change of the organizational structure, the elimination of monopolies, the adjustment of the functions of ministries to the changed relations of production and direction, the modernization of market supervision, etc. The changes in company management, e.g., would require that, leaving former habits, the work of ministries develop in the direction of planning, economic regulation, technological development and the changing of the structure. For this, however, a clearer distribution of tasks is necessary in governmental work.



No common view has been reached on important questions that affect the future. One of these debated issues is how the present external and internal imbalance can be changed more favorably. Two standpoints have emerged in this question.

Those representing one of the opinions put emphasis on stopping the further increase of debts, on trimming the budget deficit and on reregulating company and personal incomes "in proportion with performance." They also deem technological development and the increase of exports necessary, but they want to create the underlying conditions with the traditional, mostly restrictive measures. This method, however, is unfeasible, since practice has shown that a generally restrictive system has always caused a shortage of sources and reproduced rather shortage than new power sources.

The other opinion--held by this resolution, too--attaches primary importance to the selective boosting of economic growth coupled with considerable technological development and, of course, accompanied by the significant reduction of uneconomical production.

In connection with the involvement of external resources, it has to be underlined that a further--even if temporary-- increment in debts for our recuperation is worthy undertaking only if it is aimed at creating a proper balance in the future, i.e., at modernizing production and not at increasing consumption, and if it is complemented by a more determined elimination of the internal sources of deficit and the reduction of society's high overhead.

Another debated issue is related to the method of the already mentioned structural change. Many ask why we do not stop, for example, the production of the most uneconomical metallurgical products, why we do not close the mines that produce with the highest deficit or why we produce so much meat with such a huge input? These questions are, naturally, justified, but immediately raise two other questions. One is: does the political leadership take responsibility for the temporary unemployment? The other one: if we cut the production of something, are we able to stave off shortage and supply problems?

In my opinion there is no reason to fear real unemployment in Hungary since the service sector can absorb labor force not used by the industry. To ensure an undisturbed supply is more difficult. If we cut back the uneconomical production of rolled items (about 250,000 tons) then the missing quantity should be purchased from somewhere else. In socialist relation we can acquire only the quantity specified in the coordinated plan; any excess must be paid for with hard items (items exportable for hard currency). We could buy these items in capitalist relation--if we had money. The exchange of products is also difficult since sellers know what products Hungary needs and in such cases do not really barter.

It is no use that certain economists advise that the leadership should not take care of everything because that way there will be no recovery. According to them, let a little "chaos" come and then all the issues will settle by themselves. This is not a responsible stance. The leadership must know for what reason we accept temporary unemployment in certain areas and a decline of the living standards of the involved strata and how we are going to prevent supply problems.



The third debated issue is the extent of inflation. Out of sociopolitical and, I may add, economic considerations, the political leadership has committed itself to reducing inflation. The advice of the erudite economists and sociologists, who voiced an opinion to this effect in discussions about the congressional directives, played a role in this. Since then, a great deal has changed from the external and internal conditions of development to the opinion of experts. Today it is exactly the above mentioned circles who say that the intention to slow price raises is political voluntarism, which hinders reasonable price and subsidy policies, puts off the solution to problems and, although at present it protects living standards, it does so at the risk of a major break later on.

The numbers do not show as if the political leadership had taken a rigid stance on prices. Since 1980, industrial production prices increased by 33 percent, consumer prices by almost 47 percent, but our situation is not better now than it was 6 years ago either in respect of the price system and subsidies or of the restructuring of production. Now again, when some demand the giving up of the antiinflationary policy, there does not seem to be any assurance that if we do so and accept the concomitant decline of real wages, the fruits of this action will ripen in 3 years. And without this hope, the leadership cannot risk the confidence between the party and the people, the social consensus.

There are debates concerning the method and pace of the modernization of the economic management system. According to some opinions, it was the reform that ruined the country, others, in turn, say that such cautiously inching politics cannot lead to recuperation; for this a more daring and venturesome leadership and politics would be needed.

This interpretation fails to take into account that, on the one hand, the majority of our economic problems would exist without the reform, too, moreover, they would be even more serious; on the other hand, that the development of economic management and direction has been an organic part of the party's policy for 30 years and that the necessary reforms have always been initiated by the party.

The party has taken charge of a great deal--the realistic interpretation of the relations of goods and money, the joining of international financial organizations, the modern interpretation of the flow of means and capital and of employment policy, the transformation of the bank system, etc., that all needed political courage. We broke with a series of dogmas and have given new answers to questions considered taboos earlier. Of course, politics has to weigh in the future, too, whether it has ensured enough room for advance in professional questions. But it is at least as much the obligation of experts to reckon with the political consequences.

It has long been recognized by the MSZMP that who makes decisions in economic questions has to reckon with political consequences, and who makes political decisions has to take into consideration the financial and economic impact of those. It cannot be our aim to form a situation in which a theoretically well-functioning economic system ends in that the masses become disappointed with their party. So, in the future, we have to try to realize the sociopolitical and economic requirements together.

As it is clear from this sketch of the debated issues, these are disagreements based not on biased, subjective views, but on reality and life. Neither opinion can be judged as unambiguously wrong. Both contain some truth. There may be questions where it can be decided only in a couple of years which answer would have been correct, however, a decision has to be made now. So, the debates and differing opinions are natural, but after a decision is made, there must be unity in the implementation.

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Considering the ways of development, we regard as guidelines the resolutions of the 13th congress and the seventh 5-year plan. We are convinced that there is a way out of the present situation if we take and act in the spirit of the necessary measures.

Slow-paced growth that has been stagnating for years and does not make it possible to solve our economic problems, has to give way to a selective, balance-oriented boost that improves the economy's ability to produce revenues and foreign exchange. The industry must undertake a decisive role in this process. First of all, the development of the most efficient, competitive and promising activities has to be accelerated. Electronization has a particular importance in the modernization of the production culture and can improve the performance of the whole national economy.

The improvement of efficiency and productivity has to be promoted with the regrouping of the labor force as well. These requirements, fortunately, are already a part of company plans. As early as 1987, considerable personnel cutbacks, i.e., regroupings are to be expected in order to eliminate uneconomical production, to modernize the production structure or to meet the goals of development policy. Personnel regroupings have to create the possibility for increasing the average number of shifts in progressive production cultures, the better use of existing capacities, first of all, to increase exports.

Besides structural changes, revenue-producing ability has to be strengthened also by reducing production costs, and within that, mainly by reducing material-intensivity and specific energy-consumption.

The development of the energy sector and the basic material industry has to be slowed down compared to previous years, and more importance has to be attributed to the faster modernization of the processing industry. At the same time, energy supply has to be secured. The basic material industry has to better adjust to the needs of the processing industry.

CBA relationships continue to be decisive in the development of our industry. We expect that our socialist partners will satisfy our basic energy resource and raw material needs and that we can also acquire a part of the modern technology we need from them. In compensation for these we have to strive to increase the export of more processed goods, mostly machinery and equipment, and, within our possibilities, to make maximal use of our capacities developed to meet the needs of our partners. Reaching beyond simple trade relationships, we have to integrate more in the implementation of the overall economy development programs of the CBA countries, first of all, the Soviet Union.

Recently, Hungarian and Soviet companies signed two intergovernmental agreements on prime ministerial level about the arrangement of direct production and technological and scientific relationships between Hungarian and Soviet companies and concerning the establishment and the by-laws of Hungarian-Soviet joint companies. On this basis, it can be expected that the circle of Hungarian and Soviet economic organizations in direct contractual relationship can be expanded as early as 1987, and that preparations of agreements about several joint companies and research and development collectives can be concluded in the upcoming months.

As far as food production is concerned, it is not enough any more to simply increase cereal, meat or horticultural production. Only better quality, better processed products packaged with up-to-date techniques and delivered on time can keep us on the market and ensure our competitive edge.

The first task of the agriculture and the food industry must be to satisfy quality needs and increase revenue-producing ability. This task raises new demands regarding the content of work both in production and management. This is the enforcement of a process already begun that intends to set food production on a more intensive course. It is of utmost importance that the government make efforts in concert with the measures taken and propaganda done by professionals and convey this demand with more consistency than they have done so far.

An important requirement of the increasing of economic efficiency is technological development and modernization in all areas of the economy. This purpose is served by a faster increase in the amount of money spent on devices for research and development than in national income. The basic scene of technological development is the company, therefore such solutions and changes in their attitude are necessary which provide them with incentives and encouragement to create and improve competitiveness.

The financial resources necessary for the invigoration (of the economy) have to be provided for with a combination of several sources. First of all, we have to rely on domestic sources created by improving efficiency, eliminating losses, channeling capital and labor force to economical production areas and adjusting private and public consumption to production. But we also have to make use of foreign sources gained by introducing operating capital into the economy. We also have to put our economic diplomacy, including our foreign representations, to a better service of our economic interests.

To achieve our goals we need to transform our foreign economic policy and practice. The present system of interest, of state institutions and decision-making corresponds much more to the situation before the country had incurred debts than to conditions brought about by the changes in the world economy.

The entire system of our foreign trade is uncoordinated. The different (economic) activities, production and marketing are divided not only according to branches and by conflicting systems of interest, but also by a general lack of a daily working relationship which would be necessary for coordinated and effective operation. Therefore, the entire organizational, structural and



institutional system of our foreign trade has to be reformed and built up according to the requirements of a selective, export-oriented economic policy.

In this process, up-to-date export incentives need to be provided from financial incentives for participating companies to special methods of financing new technology to methods of increasing technological imports. Services related to industrial exports have to be developed and the creation of joint ventures that simultaneously provide technology and market for these has to be promoted. New solutions have to be sought in marketing, too.

We have to change our distribution policy as well. The principle of distribution according to work has to be more consistently implemented giving room for the differentiation of incomes in proportion with performance. Incomes should express the contribution of individuals and collectives to the increase of national income. At the same time, social policy has to be set on a more fair basis.

The practice of paying out wages in advance of or without performance cannot be continued. Wage raises not based on performance have to be impeded.

Neither can we carry on with the practice of harmonizing the stock of goods and purchasing power, performances and incomes by continuous price raises. This solution affects everyone, so it hits also those who earned their income and those who are unable to fend off price raises either by extra performance or by altering their consumption. We have to attempt to form a practice of allowing below average or no wage raises at all in areas, factories and strata where performance is not satisfactory, where activities produce deficit and where the regrouping of labor power is in our interest. A downward movement of wages has to be attained, too, as a force to encourage more efficient labor force management and the reduction of superfluous personnel.

The key factor in the development of the economic situation, the realization of our plans and the achievement of our goals is the workplace. We also have to change the practice of supporting and encouraging citizens more as consumers than as producers.

We have often said that we can distribute only what we have produced. If consumption exceeds production then there are two ways to bring the two in harmony: either to curb consumption or to advance in production. The first solution does not offer perspectives that's why the congress decided on boosting production. This goal has to be consistently carried through.

An indispensable condition of achieving our goals is the genuine further development of the economic management. We have done quite a few things in this field since 1984. What is to be attained is for our further steps to be genuine and to reinforce each other. For example, after the new forms of company management (company councils) are created, practical work has to begin. Along with owner's and employer's rights, these organizations have to undertake their obligations, too. An important obligation of theirs is to take responsibility for the effective operation of the property entrusted to them and for the living and working conditions of their employees, since the government is responsible for the development of living and working conditions and real wages on the national level.



The introduction of the new bank system next year will be a step of great importance in the development of the economic management. It will be accompanied by the modernization of the distribution of work and the separation of tasks among national economic planning, budget and bank of issue and by ensuring enough room for commercial banks to function.

A serious preparatory work is under way to modernize the company tax system and to introduce a personal income tax system. Our purpose with the planned company tax reform is to form a tax system which is simpler and clearer than the present one and which evaluates production factors more realistically. For this, a part of the direct taxes on production

has to be eliminated and another, considerable part of these has to be shifted to the sphere of final utilization. Analyses and calculations show that the best way to carry out this plan is to use the value-added tax system. The planned tax system will make companies more interested in profits, thus forcing them to implement a more realistic budget utilization, and it also will make the subsidy system clearer and more stable.

With the introduction of personal income tax we promote a more fair general and proportionate sharing of burdens, that the contributions of the individual to the common social expenditure be proportionate to his or her income. We need a tax system which regulates all kinds of the population's income uniformly. We do not want to withdraw more from those living on wages and salaries and do not want to suppress honestly working ventures with the personal income tax system. The respect for honest work has to be reinforced and income earned so has to get justification. At the same time, ill-gotten incomes have to be defied.

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It has always been our opinion that the superstructure has to adjust to the changes of the basis, of the relations of production. If the economy cannot rely on an adequate social and ideological background, on the support of state power and the law, then there can be no progress in the economy either. The main political forces have to "pull" in the same direction in this field, too, otherwise they lead to social tensions. An important experience of the last years is that we have not taken this interaction seriously enough, although we know that the superstructure does not change and mentality is not transformed automatically.

It is no accident that the communist parties require also the change of the way of thinking and attitude together with economic reforms. They do so so that the economy do not go ahead as an unprotected advance guard, but be followed, on the one hand, by ideological work laying the foundation for the changes in thinking and attitude, on the other hand, the strength of the state institutional system, including the state power of the legal system. In the absence of the support of these two factors, an economic breakthrough is risky.

The mass media play a major role in shaping the public opinion. Sometimes, when it is brought up that the media do not tackle the phenomena of the economy in adequate proportion and with an adequate attitude, their most

frequent answer is that difficulties, the economic situation and negative things are not created, only reflected by the press. But this is only a part of the truth, since the greatest distortions are born in the wake of partial truths taken out of their context. The unsatisfactory performance of the economy really deteriorates the mood of the society, however, recuperation may be hampered by the inadequate tuning (of the society). The press can do a lot to change this.

Our economic work does not receive adequate legal and authoritative support either. On the one hand, economic legislation does not follow reform steps on time, on the other hand, it does not counter practices deviating from or violating laws. It has become almost general that also those whose job is exactly to prohibit or sanction practices deviating from regulations, "signal," usually upwards. It happens that irregularities of small businesses are noticed by those who permit their operation and who should supervise the legality of their activities. Those are most upset by tax frauds whose job it is to uncover them. The liberalism of jurisdiction at workplaces is objected to by those who could do something against incorrect practices. It is a frequently used argument that as long as there is shortage there is abuse, too. It is true that shortage can lead to abuses and this can be eradicated only with a better functioning economy, however, it is a fact, too, that the passivity of authorities only enhances the sources of danger and helps pullulate phenomena hurting society's sense of justice.

By now, rake-off and bribes have long outgrown the limits of tips in restaurants or at gas stations and have appeared in councils, in tax bureaus, in acquiring university examination questions, in the growing number of high value gifts, in obtaining foreign, mostly Western jobs and fellowships through patrons and connections. Baksheesh can buy boutique licence and study trips abroad. Buying of favors for money have strengthened in health care and sports, too.

The general laxness of discipline and work ethic of citizens and state institutions is not a corollary of our development. But it can be combated only if the party is able to conserve its intactness and the conditions of its sovereign operation. It is an old truth that party life has to set the example for high standards, discipline and democratic practices.

In many aspects, however, neither is the inner life of the party shaping according to the lasting guidance of the congress. More and more frequent are the passive party programs or the "well-prepared" meetings. There are a lot of formal, bureaucratic elements in party work and more than necessary agenda prescribed by upper levels. There is fear in those who criticize and there is anger and offense in those who are being criticized. Retaliation and the stifling of criticism exists, and our cadre work is not democratic and good-spirited enough. Many people single out jobs for themselves and "apply" for it, but not in the frame of the competitive application system, but going in the "back door" to look for and find protectors. Lobbyism has evolved while unselfish social work and public activity are losing their value.

Of course, our party has many active members, leaders, organs and organizations. There are many who dare to take initiatives and work

independently and responsibly. Still, we have to bring up the ever strengthening, faulty attitude and behavior characterized by the pointing of fingers upwards, by a mentality of "everything is all right with us, but everything is bad up there."

Dozens of companies, cooperatives and institutions could be enumerated where the efficiency of work has rather deteriorated than improved in the past decade. We can also find quite a number of cities, districts, neighborhoods and, perhaps, even counties where time seems to have stopped and which--not financially--make no headway but regress, which do not take any initiatives for years, where independent action and the capability of positive forces to join in a quest for action has died out and activity has relaxed. Lamenting over the situation, these communities agree on that it is not them who is responsible but the regulators, the withdrawals or the predecessors who ruined things. Sometimes party, council and trade union organizations take part in this resigned, collective lamentation.

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The Politburo submits the directives of the 1987 national economic plan to the Central Committee earlier than usual. The suggestion is that now and in the future the Central Committee approve economic policy guidelines, concepts, instead of deciding on details. This way, the government will have more room in realizing the goals and also more responsibility for the whole plan, including price, wage and social policy in consonance with political requirements.

The most important task of the 1987 economic policy and economic management is to brake the further deterioration of the balance; the stabilization of the main elements of the living standards reached in 1985-86 and laying the foundation for a modest improvement of work and living conditions.

The increase of the national income can be projected at 2%, which presupposes a 2 to 2.5% and a 4.5 to 5.5% expansion of industrial and agricultural production, respectively. To promote a selective boost in the economy, productive investments--especially in the processing industry--will grow, and there will be more central measures serving distinguished purposes. The economic management, the government bears special responsibility in accelerating the implementation and the further pinning down of central economy developing and subsidy reduction programs and, at the same time, in determining the necessary practical moves to improve the production structure and, where it is not possible, to stop production showing deficit. It is indispensable that also the system of financing and decision-making, the consistent direction in eliminating production showing a deficit ensure the sources for the development of progressive areas. Only such a decisive program serves the interests of our country, gives clear goals and makes sense for the sacrifices of our working people and offers a purpose for the involvement of external sources which is still inevitable next year.

Since the increase in the population's consumption was not covered by the production this year, living conditions can only modestly be improved in 1987, the consumption and per capita real income of the population cannot be increased. Efforts have to be made so that the real wages of well working collectives and individuals do not decrease.



Wages can be raised only according to achievements, after creating the financial basis and with differentiation. The wage bill can increase by 4.5 to 5%, average wages by 5 to 5.5% in 1987. Efficiently working economic units which have an ability to develop dynamically may raise wages in proportion with the increase of their output. Wages cannot increase, but, in certain cases, may decrease, at companies producing with deficit or showing deficit of funds. We think it is necessary that there be no general wage raise in the first quarter of 1987, apart from exceptions based on special circumstances, for example, prescription by law provisions.

There will be restrictions in the income regulation for private business associations, small enterprises and the private sector.

The social policy will continue the building out of the institutional network of assisting the neediest, the financial aid pool of councils will be enhanced. Pensioners, families with children and some other strata receiving social benefits, e.g., those on fellowships, will get income supplement in compensation for the price raises of basic commodities.

As an element of our living standards policy, we have to attribute particular importance to every step that improves the living conditions and the general feeling of the population. A supply of goods that can be classified as acceptable has to be maintained. 55,000 privately owned and some 6 to 7,000 state owned rental apartments will be constructed. The reconstruction of state owned apartments continues in an accelerated pace. The conditions for apartment exchange become more favorable. In accordance with the needs of large age-groups, more secondary school classrooms will be constructed than in previous years. The most important step forward in health care is to provide better equipment for preventive and curing treatments. We continue the program of supplying the population with healthful drinking water.

What do we place our hopes in to achieve next year's goals?

Considering external factors as given, the requirement is unambiguous: we can fulfill our tasks only with a better utilization of power sources and the improvement of our work.

Regulation changes announced for next year will help as well. The interest of companies in increasing ruble accounting export will grow as a result of, among others, adjustment of company income regulation and other benefits, such as selective credit and tax formation. We continue to regard as an important complementary means the dollar accounting competitive application system that helps exporting and that we further develop, on the basis of the experiences. Changes effected in wage regulation also serve the purpose of stepping up encouragement to rational labor force management and cutback on superfluous personnel, and strengthening the harmony between performance and wages, while preserving the main features of the present regulation.

The system of interest of the food industry will improve, too. Primarily animal husbandry and all the efficiently working companies will be in a more favorable revenue earning position.



Next year, the price of energy resources imported in socialist relation will reduce, so terms of trade will somewhat improve in this relation. With the strengthening of intercompany connections and joint companies, new possibilities will open up in socialist cooperation, while in capitalist relation we can expect a more abundant inflow of operating capital, and the further growth of the foreign exchange-earning ability of tourism.

The part of the Politburo's resolution dealing with the yearly plan reflects these aspirations of ours and the planning work is also focused on these. At the same time, I have to candidly speak about the fact that the bases of the 1987 plan cannot be considered satisfactory yet. Government organs still have to work on strengthening the internal consistency of the plan, especially on the better coordination of sources and utilization.

To further this goal, it has to be reviewed how and to what extent budget expenditures--particularly subsidies, social overhead, some big investments and financial means earmarked for realizing central development plans--can be reduced. A solution has to be found for levying tax on the high income of certain strata of the population just like for shoring up the income producing ability and exploration of reserves.

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The country lived through hard days 30 years ago. History inflicted a serious wound on us. The wound has healed since then, however, it is still sensitive to political weather changes.

Looking back on the road behind us, we can enumerate historical achievements, such as the successful political consolidation, the rejuvenated party that today counts 800,000 members, the established and stable socialist state power, the socialist agriculture and the industrial production and national income grown manifold since then. Hungary, that time branded on prestigious international forums, has become a respected and honored member of the community of nations, it has remained loyal to its allies, ideas and friends, and has become a reliable partner to the countries of the world.

Today we say that we are living hard days, but 30 years ago we would have been pleased to replace those concerns with these. If we do not forget the lessons of 30 years and remain faithful to our pledges made at that time, we can be sure that we will fight the battles of the coming years with success.

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CSO: 2500/107

POLITICS

HUNGARY

SUSPENDED JOURNAL REAPPEARS WITH NEW EDITORS, PROFILE

Cartoon Commentary

Budapest LUDAS MATYI in Hungarian 11 Mar 87 p 7

FOLLOWING HOSTILITIES



Tiszataj Has Reappeared!

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## New Editor Explains Situation

Szeged TISZATAJ in Hungarian No 1/2 87 pp 3-4

[Introduction to the new issue by Marton Kaposi, Editor of TISZATAJ: "What Happened and What Should Happen To TISZATAJ?"]

[Text] Since last June no new issues of TISZATAJ has been published. This, rather unusual event in the history of the Hungarian press must not only be explained to the subscribers, but, at least in a few words, the events must be reported to the readership--readers who are probably curious when they pick up this newly published paper.



Since the beginning of July, the Information Office of the Council of Ministers has discontinued the publication of this periodical. The Executive Committee of the Csongrad County MSZMP, in its capacity as the immediate supervisory body, examined the work of the previous editors and found that the editors made mistakes regarding communication policies, which in turn necessitate an examination of the paper's editorial policies. They appointed new editors to replace the old ones, drafted a modified editorial policy, clarified the organizational belonging of the periodical, as well as its supervisory system and financial needs.

The periodical's foundation rights were taken over by the Csongrad County Council. The Council has been a supporter of the publication. The editorial work will be henceforth assisted by an editorial board, and the actual work will be done by editors, most of whom will not be on the editorial board. This change was necessitated not only by an endeavour for greater editorial consistency, but also by our plan to make certain changes in the periodical's profile. While considering in part some national phenomena, and assessing, in part, the intellectual opportunities that exist in our region, we would like to provide somewhat more space for other arts besides belle lettres, as well as for scientific and ideological problems. All this would be accomplished in a form that is not alien to the profile a traditionally literary periodical--one that is planned to remain a literary periodical.

The new editors do not wish to part with the periodical's traditions which even today may be viewed as the best traditions--traditions that piled up during the more than one--or almost continual!--stormy years of the periodical. Traditions, which over the past two decades took a rather definite shape. We will continue to observe the entirety of Hungarian culture, its features, opportunities and system of values. We do not want to shrink from systematically presenting the literature and culture of neighboring socialist countries, and of Hungarians who live there. And quite naturally, we endeavour to present all those cultural, scientific and other achievements within our region that are significant from the viewpoint of cultural policies--those which have a national impact or which transcend our national borders. In other words: the new TISZATAJ will be the local periodical for national and universal culture--the two always coincide at high levels--only in the sense that the place will not be the horizon but the focus of information, in which the culture we have made our own will find not a museum but a home, and in which there will be a continuously active workshop for that part of culture which is deemed to be worthy of further development.

This issue of TISZATAJ is not only far from what we would like to have, what we planned to have. But even at that, as a single issue, it may convey an approximate sense of the effort it took to produce it. The editors, who began their work in December were confronted with various difficulties. The greatest difficulty was presented by the attitude of some of the former authors toward the suspension, and the extended period of discontinuance. Many sought the return of their already submitted manuscript and did not contribute new writings to the newly starting periodical. A feeling of insecurity based on lack of information continues to prevail in many, and

certain reservations of principle have not been resolved. This issue being a compromise between our possibilities and our endeavours, our primary aim is to once again revive a periodical that is not insignificant in the national context and to make it a functioning part of Hungarian intellectual life.

There are instances when silence speaks louder than words. In almost every case, however, such instances are cases of protest. They are ill-chosen, or forced half-solutions, which sooner or later must be continued with some other means of protest. Meritorious continuations assume the form of constructive action. And if there are—even though few, and perhaps not in sufficient numbers—who are willing to continue construction, why should we receive them with reservations and suspicions? What good would it do if TISZATAJ would not be revived? What good would it do if instead of an intelligent being there is no being, or there is nothing?

#### Writer Solicits Understanding, Support

Szeged TISZATAJ in Hungarian No 1/2 87 pp 101-6

[Article by Geza Vasy: "Why Do I Write for TISZATAJ?"]

[Text] "If pillars framing the mine collapse,  
tunnels will hold the flaming treasure deep.  
And miners will always reopen the shaft  
as long as their hearts beat."

Attila Jozsef

We all know that the one who asks the right question will receive a better answer. In our days all writers are constrained to ask questions. The ones who are being questioned are either the entire community of writers, a certain group of writers, or the makers of literary policy. But in every instance the one who is being questioned includes the writer himself. One writer asks the other: why did you quit the Writers Association? And the other returns the question: why did you quit? And each responds in his own way. We all have read statements of resignations as well as statements of continued support. In principle, the entire nation may be informed of differences of opinion. And while searching for roots, for starting points, one may go back to Adam and Eve, in this case it will suffice to retrace the events of a few months only. To return to the summer past, when the entire nation learned about the suspension of TISZATAJ. Today's situation may be traced back directly to that event. Indirectly, there are a number of other factors.

I became a member of the Writers Association in 1975. I could have become one earlier—they encouraged me to join. As a literary critic they did not require for me to present independent work, yet I waited until my monograph on Ferenc Santa appeared, even though by then I had been the secretary of the

Association's KISZ for three years. I became the owner of membership certificate No 461. During the past months it did not occur to me even once that I should part with that certificate. I disagree with those who quit, I disagree with their reasoning. But at present this is not the topic of my discussion. I want to explain why I am writing for TISZATAJ even though I remained a member of the Association. The two issues are linked together of course, and it would appear as plausible that the ones who quit the Association would write for TISZATAJ, and those who stayed, would not.

Any literary journal can have a great impact on literary history, on cultural history. And yet, I still have to say that a writer--and let me include here critics and essayists--think primarily in the context of their work, and not of a journal. Their work comes first, second and third, it is the task that occupies the writer primarily, the literary genre comes later. And even later he considers the presumed audience, and as a function of the audience, the form of publication. In other words, the stand taken by a writer, the inner substance of his work is not being influenced by the medium in which the work is going to be published. The anticipated publishing medium influences only the writer's form of expression, the quality standard of his work. A writer not only prefers to submit manuscripts to a journal that observes high standards and has a consistent editorial policy. While working, he endeavours to produce something better, something that is worthy of the journal's spirit and values. Accordingly, the medium of publication does make somewhat of a difference.

So far TISZATAJ was one of these important publishing media. TISZATAJ is important for today's Hungarian culture, and it is important to me, personally. My professional beginnings are also tied to this journal: thanks to Mihaly Ilin, my first study appeared in this journal. And my studies and reviews continually received a place in TISZATAJ ever since. There were not too many studies, but that was my doing, my lack of diligence. And I just decided to become more "diligent"; I was looking forward to great tasks when the bad news arrived last July. For months I struggled amid doubts and hope: was this the dream of the Sleeping Beauty only, or was it a real funeral? Weeks and months passed at snail's pace, until in November we learned that the journal was under new management. In and of itself this meant nothing: cemeteries have managers too. The question was: in what direction will or can the new editors guide the journal? And behind that question there lingered the other question: what was wrong with the previous editors, with Laszlo Voros, Jozsef Annus and Sandor Olasz?

The Writers Association held its general meeting in November. I sat there for two days and listened to statements of various orders and ranks. I felt increasingly at odds--at odds and increasingly uncomfortable. Inside of me the various arguments and counter arguments clashed, I tried to understand all the different views. (Understanding is not synonymous with acceptance, nevertheless understanding is a precondition for any kind of debate.) And meanwhile I felt something of a clash between myself as a writer, and as a politician--a cultural politician at that.

I tried to find the cause of my discomfort. I soon discovered that my general feelings were those of a Hungarian citizen, and only after that, those of a writer. Even though the two cannot be separated. My feelings are those of a citizen, those of a middle aged citizen, a father of three children, who in one person is an intellectual, a teacher as well as a writer. And just how should a person of this sort feel toward the end of 1986 and the beginning of 1987? I am a Hungarian. Accordingly, I cannot be generally feeling really well, not even in the fading shadow of the "Hungarian miracle". I am middle-aged, and this means that I can prepare realistic plans only up to the millennial year of 2000, but at the same time I must consider that however modest my plans are, they may dissolve into an illusion. The nation's situation may be one reason for this, but my own situation may serve as a reason too. And the year 2000 appears to be extremely close. I would like to push it away, but the laws of nature are stronger than I am. And presumably, I am an intellectual. Being an intellectual today, and for quite some time now, cannot be obviated from any viewpoint as something that has a valid purpose. At most it is self respect, the inner balance that provides self-consciousness--but can there be an inner balance when the inner and the outer world are in disharmony? I am an intellectual, and as such my existence feels constantly peripheral. I am a teacher, who must constantly feel that knowledge is losing its value, that teachers are unimportant--they can be substituted by anyone. I am a writer, who must constantly feel that literature is losing its value, that literature is unimportant, it too can be substituted with anything. While my teacher ego at least provides some sense of utility, my ego as a lecturer at the university seldom enjoys this satisfaction. And as a writer I constantly must sense the atmosphere of suspicion around me--just as any intellectual, I may have some heretic ideas, and I cannot be certain whether these ideas will be viewed as politically loyal. Could it be that I too contributed to the fact that politics prevailed in the suspension of TISZATAJ?

And then I am also a parent. For the first time in my life I raised the question in 1986: was I irresponsible when I undertook the raising of three children? And the other question: am I not irresponsible when I allow my children to choose a white collar profession? I do so because they are intelligent, because all their abilities demand such a career course. Did I bring them up that way? And because these things are related to each other, during the summer of 1986 I learned from the pages of NEPSZABADSAG that in Hungary the extended minimum per capita subsistence in 1985 amounted to 3000 forints. A quick calculation followed. Soon I found out that my income as an elite intellectual, combined with my wife's salary as a lead teacher and including the family supplement--in other words the monthly fixed take-home pay amounts exactly to the official per capita minimum subsistence. Except that in my case the per capita minimum supports a family of five. A middle-aged, Hungarian, white collar family with three children, in the mid-eighties. And indeed, I cannot quite believe that those 3000 forints are real. It must be more--after all the minimum subsistence must be measured according to the national potential.

How should a citizen feel, who happens to be me? Is it really important how I feel? It is important to the extent that I may take a further step and search



for the objective components of the situation that cause this general feeling. Just how is the national situation? Come to think of it, this was a constant topic at the General Meeting also.

If I listen to or read the various statements, the picture becomes increasingly confused. There is no crisis, they say, but there is a need for a change. The analyses nevertheless show that our situation is rather difficult. And almost everyone agrees that we cannot continue to exist the way we did before, because if we do, we will fall back forever. Most certainly, all of us recall the idea that emerged in the seventies in the form of a bitter joke: now we will have seven years of austerity. But austerity will not last that long, because in two or three years there will be an upswing. Well, that upswing did not arrive. And today we feel that those past seven austere years were really not that austere, that the austere years are yet to come, because even under ideal conditions, evolution takes several years. And we not only feel, but are being told that today's concerns have piled up as a result of the past 15 years. And their resolution takes at least as many years. And we hear that some marvelous 30 years are behind us. It would appear that those 30 years consisted of two semesters. A long time ago we persuaded ourselves to believe in the vision of unlimited growth. Then we discovered the limits of growth. And now we have to face the specter of plummeting? In other words, the fact that our having fallen behind is final?

In the fifties the emphasis was on proletarian dictatorship which would lead to socialism. During the sixties the idea of a state based on all the people gained prominence. The seventies and the eighties, however, did not abide by the principle, and took a different course. Instead of a unifying trend, a differentiating trend gained strength. There evolved a stratum which possesses some heavy, an increasingly heavy amount of capital. According to rumors, there exists today a billionaire in Hungary. And even if this is not true, the rumors do signify something. But one need not think in such large amounts. One who has 2-3 million forints of excess capital can earn a monthly interest of 20,000 forints in an age when the average income is around 6000 forints. I think that it is quite natural that there are only a few rich people like that. There are many poor people though. Their number is increasing. According to estimates, about one-third of Hungary's population may be qualified as poor. Needless to say, this is not synonymous with the poverty levels of the Horthy era, and is not synonymous with the poverty levels of the fifties either. This is poverty as measured against today's standard of living. The existence of the strata between the rich and the poor has increasingly lost perspective during the past years. They cannot hope to become rich, while impoverishment appears as a menace. To avoid this they exert all their energies to maintain their previous level. This is not only self interest. Politics encourage them to do so. The intelligentsia essentially belongs to the middle stratum. The teacher belongs there at the lower levels, and so does the writer. Perhaps the writer reaches the center level of the middle stratum.

Our situation did not evolve according to projections made in the sixties, the way we were told when we were young. Why did things not evolve that way? Who

is responsible for all this? Those who blame everything on external circumstances are incorrect. Adaptation to circumstances is not only possible, it is necessary. Those who seek a culprit and condemn mistaken economic policy decisions are also mistaken. The causes are a combination of things: the nation as a whole was unable to respond accurately to the challenges of the age. Neither they, nor you, nor me. And today our visions for resolution are rather imaginary. We know that in and of itself a decision supported by even the most rational intent is insufficient. We have made some determinations, some good determinations before. It is the implementations that demands everyone's active participation.

Since the change in society took a spectacularly different route from the one that was projected, it is understandable, but not excusable, that society is devoid of an ideology. Our world today is radically devoid of ideology: ideologies are heralded only in words and in gestures. Society does not truly face the changes that took place. It does not really seek answers to the question of what socialism in Hungary is today. As a result, society does not confront the perspective issue, it prefers to do so at the level of day-to-day politics. It is a logical consequence of the blurring of elementary strategic goals that cause tactical issues to assume strategic significance, and as a result, tactical issues are formulated as strategic goals. And so, when a representative of literary life or of the sciences debates or presents a separate opinion on the tactical level, such argument or opinion will be criticized and muzzled as a strategic argument or opinion. It is my judgment that this is what happened in most of the previous years' clashes between literature and politics.

If we view the strategic goal, namely the approach to a communist world, rather than "maintaining the previous level" as the primary goal, then the advantageous and disadvantageous features of various avenues become apparent in their own ways. Naturally and openly. And beside the axiom of achieving the established goal, one needs no other axioms. In Hungary, however, an entire system of axioms has evolved, a system that is untouchable even to the degree of one trying to understand that system. And if a writer or an editor touches the issue, he may pay for doing so rather dearly. Such action may evoke the intellectually founded, but by nature administrative action of cultural policy makers. And experience shows that such action always stirs up a larger storm than the issue that provoked the action. There is a long list of examples, but for now, the example of TISZATAJ should suffice.

I think that it is quite natural that my general feelings and the factors that determine my general feeling have made me reach the issue: should I continue with TISZATAJ? To write or not to write? This meditation produced a number of affirmatives as well as negatives, the bottom line of which became an affirmative. Even though reasoning drew me more in the negative direction. First of all there is friendship, solidarity with the former editors of the journal: Laszlo Voros, Jozsef Annus and Sandor Olasz. There is the foundation of everything: the acceptance of common goals, goals which materialized by virtue of the direction the journal took. And then there is the fact: TISZATAJ was a good, high standard journal, but is there a guarantee that it once again becomes a good, high standard journal? Then there is the reaction

of spite, that partisan emotion which rejects the decision both in its substance and its form, a decision for which there is no precedent during the past 30 years. There is the examination of objections, the delay in making a decision, and the partial information provided to the public--and mostly to the writers' opinion. And irrespective of personalities, there looms the question, why was it necessary to once again choose a person from outside of the literary world as the editor-in-chief of a literary journal?

What can one say to all this? Editing a journal is always a combative task. The struggle is about the securing of a nation's intellectual condition. There are editors who play the role of the regular army, and there are others, who conduct themselves as partisan units. Partisans, in a sense defined by Gyorgy Lukacs in 1945. This duality does not constitute opposition, it is merely a division of labor. One must recognize, however, that the partisans' work is always more dangerous. A partisan may be killed not only by the enemy, but also by his own forces. His own forces may shoot at a partisan by mistake, or, because they may view his action as damaging--in other words: the difference in approach is viewed at the strategic rather than the tactical level. And a partisan, of course, must realize that in judging his actions he must consider from the outset that in the present it is not he, but it is the chiefs of staff who qualify what is and what is not on the strategic and the tactical levels, respectively. And that possible mistakes made by the chiefs of staff may be justified by history.

TISZATAJ accepted the task of partisans. Over the years many of its editors suffered wounds in the course of their work; for the time being they were unable to continue to fight. What should the members of partisan units do in such cases? They may run away--true, they may hide out in the thick of the forest where no friend, no enemy will ever go, but such conduct is not deemed to be honorable. The only battle-cry may be this: continue to fight! The fact that the new editors of the journal were appointed by the chiefs of staff does not constitute a fiasco. This may lead to no more than tactical differences in viewpoint, if they do not learn to live with the traditions of partisan conditions. But there is a chance for that too. And the point is that the unit must be preserved. One must work: if possible as a partisan, if not, as a regular soldier, but always preserving the ideal and morale of being a partisan. They may help the healing of the dismissed editors, their early return to the battle.

Nothing could be worse than responding to trouble with another trouble, to a mistake with another mistake. When a carriage gets stuck in the mud, one must pray for a dry wind, not for rain, if one wants to proceed. What good would it do if we decided not to write for TISZATAJ? We would only prove the obvious: there is no good paper without the broad participation of writers. But we all know that anyway. It is for this reason that we should not let the opportunity pass us by. If we continue to be associated with TISZATAJ, the opportunity to resume partisan warfare is definitely there in the long run, and possibly even in the short run. This is why I write for TISZATAJ even in 1987.

I know already in advance that I will not like everything that appears in that paper. But this is quite natural. Beyond a certain aesthetic and philosophical standard it is only tolerance and patience that can guide the recipient. This may be the antidote to that phantom image that politics and literature have formed of each other in our days. This too can be fought with work only, and only work can dissolve these phantom images. Once we know each other, using our past experience, our literary life may serve a useful purpose, even if not an ideal purpose. A useful purpose in which we understand, and not misunderstand each other. A purpose in which we know that flexible adaptation to changing circumstances is part of the essence of the new age of reform, and that continued flexibility in changing decisions is a pre-condition in this new age of reform. This is the best remedy against becoming paralyzed.

And finally, oh, dear reader, regardless of whether you are a general, a private or a partisan, I beg you to remember that once upon a time, there was a nation beyond the glass mountains, but on this side of the Carpathian mountains. That nation has struggled to catch up with European progress, by reforming its economy and its society. For a quarter of a century the struggle continued at varying levels of intensity, with varying degrees of success. At a time when the struggle was at one of its low points, one of the greatest poets of that nation viewed continued struggle as hopeless and envisioned national death. A few years later, not too long before his death, he reiterated that thought in the form of a poetic will. Meanwhile, throughout his life he worked to prevent the national death he envisioned. Could it be that his poems too served that purpose? Ever since that time, these haunting visions are an indelible part of our national consciousness. And then, this poet had a younger colleague, who, at the low point of a far more successful phase of this struggle expressed the idea of hopelessness in terms of humanity at large. The politician of that reform era viewed these poets and their works as his natural and important allies. And by now we know that the struggle for reform did lead to accomplishments, that the spirit of reform prevailed, that the nation did not die and that humanity disproved the notion of hopelessness.

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## 'LAST' MEETING WITH RAOUL WALLENBERG IN FEB 1945 RECOUNTED

Budapest MAGYAR HIRLAP (supplement) in Hungarian 11 Apr 87 p 3

[Interview with Laszlo Hertelendy, who claims to have seen Wallenberg shortly before his disappearance]

[Text] Laszlo Hertelendy's name is not unknown. His great-grandfather served as the executive for the County of Torontal, his grandfather was a colonel in the Third Cavalry and served as commander of the First Gendarme Division of Budapest and later of the Fifth Gendarme Division of Szeged. His younger brother died a martyr's death for anti-fascist resistance activities. As a former council member and perennial public figure, Hertelendy himself is well known in the second district of Budapest. Judging by his 2580 forints pension and his circumstances at home, little "official" attention is being paid to him. I was collecting data for a book on World War II history when someone called my attention to the fact that this is the man who last saw Raoul Wallenberg in Budapest. I paid a visit on him immediately.

Raoul Wallenberg's name is not unknown, either. True, our knowledge concerning Wallenberg is elementary, in spite of the fact that a Budapest street was named after him. This is what the Budapest street register entitled "Streets, Squares and People" says about him. "Wallenberg, Raoul (1912-1945): secretary at the Swedish Embassy. He saved the lives of thousands during the Arrow Cross terror. He disappeared following the liberation of Pest." Already this three-line notation is in error. Wallenberg did not die in 1945. According to a statement contained in the only authentic document on Wallenberg that has ever seen the light of day, Wallenberg died in 1947 in the Ljubljanka prison of Moscow--a victim of personal cult. The likelihood of this fact was officially conveyed by the Soviet Union to the Swedish government, following the 20th Congress. Thus the term "disappeared" is not fully acceptable. Based on our conversation with Hertelendy it appears that even the date of Wallenberg's arrest is in error. Further, it appears that Raoul's humanitarian mission did not begin with his 1944 arrival in Budapest, as has been believed to date. Instead, it began much earlier, when he came to Budapest as a carefree youth.

[Question] When did you meet Raoul Wallenberg for the first time?

[Answer] In front of the Foreign Ministry during the summer of 1938. My uncle and I were entering the building as Wallenberg was leaving. That's where we got acquainted. Not much later we conversed at a garden party. It was Regent Horthy's garden party in the castle, in front of the equestrian statue of Eugene de Savoy. Subsequently, during the war, we got in touch once again through dr Imre Szabo, the vicar of the Krisztina Parish, and our cooperation continued until liberation.

[Question] Until liberation? Wallenberg disappeared on January 17, 1945, while Budapest was liberated on February 13. How could you have kept in touch until liberation?

[Answer] I have no idea where you got that date from. I've heard much erroneous information concerning Wallenberg, which is not surprising considering the fact that for decades it was inappropriate to even utter his name.

[Question] Did you meet again following the 1938 garden party?

[Answer] In those days he and I socialized with the same group of people. My father was a gendarme colonel, my uncle, Andor Hertelendy, was a Knight of Malta. And I happened to be an officer of the No 148 boy-scout troop of the Krisztina Roman Catholic Parish. Count Imre Karacsonyi, the Hungarian representative of the Knights of Malta was a family friend. Karacsonyi was the only person to whom Emperor Francis Joseph had paid a visit. His palace was located at 55 Krisztina Boulevard. On that day the Vermezo [a huge, grass-covered parade ground] was blackened by cars. And so, Count Karacsonyi had an adopted son, Count Keglevich. It was he who called on me to organize the 1938 memorial mass for the Knights of Malta. It amounted to a great deal in those days ...

Wallenberg hailed from one of the best-known Swedish families. And even though in those days he visited Hungary only as a businessman, all the palace gates were open to him. One could say that within weeks he felt at home with the most elegant society.

[Question] Accordingly, by way of your father, you too were a member of that society.

[Answer] Yes and no. This is rather complicated. My wedding, for instance, took place in the church at Krisztina Square, the same church where Istvan Szechenyi got married. In those days the mass was celebrated by Gusztav Gaspar, the religion teacher at the Verboczy gymnasium. These masses were held at 11:30--Endre Bajcsy-Zsilinszky attended these too. The Budapest intelligentsia referred to these masses as the "perfume mass", because the entire church smelled of the finest French perfumes. My settling down as a family man, however, also resulted in parting with these higher echelons, because of my wife's "lowly origins".

[Question] In what kind of society did you find Wallenberg?

[Answer] Wallenberg was able to establish personal relations in an incredibly fast manner. Within five minutes he was able to converse with anyone. And he went to every place he was invited to: masses, boy-scout dances, official receptions. He had connections with the Regent's son, Miklos Horthy Jr, also. He had close relations with Tivadar Zichy, a young, ultra-rich aristocrat, who wasted his money so long as it lasted. Tivi Zichy was a professional race-car driver, even when drunk he raced around in his Bugatti. With some of his friends he raced up to the mountain, from Kekgolyo Street, through Istenhegyi Road, all the way to where today's Hotel Voros Csillag stands. Zichy's drunk racing time for this stretch still stands as a record.

On one occasion I accompanied him to the Angol Park [amusement park]. They just began advertising Palmolive products in those days. At one of the attractions one could find a beautiful lady sitting in a rocking chair, suspended over a tub filled with Palmolive bubble bath. If one hit the target the lady fell into the water. Money not being an issue for either Wallenberg or Zichy, the two agreed with the owner to pay double the daily intake of the attraction, if they could take the woman home. Zichy was seldom sober, while Wallenberg didn't drink much, and didn't smoke either. He enjoyed the nightlife in Budapest, and in those days he spent a lot of time with the contemporary golden youth. He was friendly with Vidor Petrovich, executive secretary of the Hungarian Automobile Club, the one who later died in an accident. The two had fun together. On one occasion they dragged me along to the Szatyor [string-bag] Bar at Miklos Horthy Street (today Bela Bartok Street). It was so called because the cubicles inside were covered with basket weave. I was younger than they were, and had a strict upbringing. I only drank two glasses of champagne, at most. But they were having a good time, and were pleased that there was someone sufficiently sober to notice when the waiters put additional empty champagne bottles under the table so that in the final count they could show a larger number of bottles consumed at that table.

[Question] Did Wallenberg speak any Hungarian?

[Answer] In those days it would have been inconceivable for a businessman or a diplomat not to speak the language of the country where he was stationed. Regardless of that, however, Wallenberg had a fantastic talent for languages. He spoke Hebrew, for instance. He said that at one time he worked in Haifa, and that's where he learned that language. He spoke fluent, but not flawless Hungarian, and soon he knew Budapest inside out--his knowledge of the city was unmatched by anyone of us. He spoke perfect German and English, because these languages were taught from childhood on in the kinds of families he came from. For some reason he liked me a lot. He called me Laszlo, and on one occasion he said that "I will miss you some day, when our ways part". He spoke these words in Hungarian.

[Question] Were there ladies in his group also?

[Answer] Of course, but as far as I know these were solely social relationships. I saw him once with Ilona Titkos in a silver Lancia. On other occasions he sat with Titkos and Tamas Eszterhazy in the Apostles Restaurant on Kigyo Street. I greeted them, including Wallenberg, of course.

Eszterhazy, who in those days courted Titkos, did not miss the opportunity to say "What's going on, Laszlo--you know everybody!" Among our mutual acquaintances was the Baroness Dora Grodli, too. She was extremely wealthy, and attractively ugly--naturally she had her dresses made at Klara Rotschild. She drove out to the Danube quai, then walked up and down the Corso. Then she returned to her car, drove home, changed her clothes, then started the whole process over. I saw Wallenberg with Katalin Karady also. In those days she could often be seen in the company of a general named Ujhazy. The general thought that the young Swede wanted to court Karady. A duel was avoided solely because Wallenberg had only a vague idea about the mentality of Hungarian gentlemen. He would not have dueled, even if provoked.

[Question] Later on, during the siege, Wallenberg became friends with the wife of Arrow Cross foreign minister Gabor Kemeny. Did you know about that liaison?

[Answer] I did not hear about that in those days, but during the war our situation had also changed. My father resigned from the Gendarmes prior to the events at Ujvidek. He sensed what was happening would be irreconcilable with his conscience. From that time on our family was no longer truly a part of high society. Let alone me, who married below my social class. But we have met Wallenberg frequently during the war also, even though he continued his social activities at the highest levels.

[Question] Did Wallenberg visit Budapest during the early years of the war?

[Answer] Several times. He was not connected to the Embassy in those days, but he invariably commanded immense amounts of money. I recall that on one occasion in 1941, he and I went to the Schwartzer Sanatorium on Kekgolyo Street. It was a private neurological institute where only the very rich could go. Among the patients there were some who had no neurological problems at all. They merely preferred to disappear because of the Jewish Laws. At that time we were paying a visit to the widow of Richard Fricssay, the famous military band leader, who also knew my father well.

[Question] Are you saying that Wallenberg endeavoured to help Jews already in 1941?

[Answer] Of course, and not only those who were persecuted for their race. During the following year, in 1942, we paid a visit to Colonel General Szombathelyi, the chief of the general staff, regarding the case of Zoltan Schonherz. Szombathelyi would have been the person authorized to act regarding clemency for Schonherz, who was court-martialed for treason in July. He was already sentenced to death when Schonherz' sister sought assistance from Endre Bajcsy-Zsilinszky. Bajcsy-Zsilinszky in turn asked Krisztina Parish vicar dr. Imre Szabo for help. Szabo dispatched Wallenberg to Szombathelyi, and I accompanied him to Szombathelyi's residence on Logody Street. Szombathelyi received us by saying that he would have granted clemency to Schonherz, but that he was mislead. Wallenberg asked in what manner Szombathelyi was mislead. Was he perhaps unaware of the fact that Schonherz was a communist? "That I knew, but that is a different issue,"



came the response. Presumably, Szombathelyi was unaware of the fact that Schonherz was educated in Moscow and that he came to Hungary "in that capacity". Wallenberg replied by saying that he too was unaware of that fact. Szombathelyi opened his desk drawer and pulled out a pamphlet that was alleged to have been written by Schonherz. It called upon Hungarian soldiers to lay down their arms. This is what the chief of the general staff found to be unforgivable.

[Question] How did Wallenberg conduct himself during that meeting?

[Answer] He was embarrassed. Before the visit he felt that there would be a good chance for saving Schonherz. But once we arrived at Szombathelyi's home it became immediately apparent that we were mistaken. It was only later that we learned that prior to our visit Schonherz' sister, as well as Cardinal Jusztinian Seredi had intervened on behalf of Schonherz, without success.

[Question] Wallenberg is being celebrated as the savior of the Jews of Budapest. They even named a street after him. You, in contrast, even though you happened to serve as a council member in the meantime, you live with your wife on a small pension, in a tiny apartment in Buda, one that is filled with pictures and furniture. How do you view Wallenberg's role today?

[Answer] Well, look--that's a different story. Unquestionably, in those days there were others who tried to fulfill their duty. Irrespective of this, however, I learned Wallenberg to be an extraordinary and brave man. He was scared only during our final meeting, because he did not see a future ahead for himself. For quite some time no one knew what happened to him, all we knew was that he disappeared. And then they made collections for a monument, and the monument was erected. Later on, the monument disappeared. I tried to find out what had happened, who objected to it. I went to many places and told them that I knew Raoul Wallenberg, that I worked with him, and that his memory deserved our respect. Wherever I went, my pleas were heard with understanding, but at the same time I was cautioned: "Comrade Hertelendy, you would be better off if you did not know Raoul Wallenberg".

[Question] So then, when did you meet him for the last time?

[Answer] On February 12, at the Krisztina Square church and rectory.

[Question] Couldn't you be mistaken? Couldn't that date be January 12? According to Jeno Levai's book he was last seen on January 17, in Pest at Benczur Street, under the protective custody of Soviet officers. Allegedly he was on his way to Debrecen.

[Answer] I couldn't be confused about that date. It was the day when the first Russian patrols descended on Naphegy Street into the Krisztina area.

[Question] Were there other witnesses to that meeting?

[Answer] There were, although I don't know whether anyone of them is still alive. Dr Imre Szabo, whom I mentioned earlier was there--he later became

regent of the Esztergom archdiocese. Chaplain Zoltan Liska was the commander of the scout troop of which I was one of the officers. And then there was Chaplain Miklos Nagy, vicar of the Hermina chapel, and Joseph Paletta, parish administrator... As far as I know all of them passed away. I recall two sextons by the names of Jozsef Hideg and Nogradi, but I don't know what they did or where they are. But others could have been there too. It was a historic moment. A feeling of relief following the carnage, mixed with anxiety concerning the future.

[Question] Accordingly, on that day Wallenberg was also there. Was he by himself?

[Answer] Yes, he was all by himself. What surprised me was that he didn't have his car. He had a convertible with a folding canvas top. He always drove himself. He was a great automobile enthusiast.

[Question] What was Swedish Embassy secretary Raoul Wallenberg doing there, all by himself?

[Answer] I cannot answer your question accurately. I did not seek an explanation--all of us active in saving the persecuted have been keeping in touch regarding one matter or another.

[Question] Could it be that he had been in Soviet custody before and that he escaped? And at that point he was concerned that he would be recaptured?

[Answer] I don't know. He appeared to be in good physical condition, but he was depressed. But this wasn't the first time that he was depressed. At that point we couldn't understand, because, after all, those he tried to save were no longer in life-threatening danger. Yet, he gave the impression of a depressed, collapsed man, and when we asked what was wrong, he responded depressed that this was not the way he thought things would turn out. This suggests to me that he might have had some illusions about the Soviets viewing him to be as important as the Germans and the Arrow Cross people viewed him to be. When we asked whether we could count on him in the future, he gave a resigned response: "Perhaps tomorrow I will be seeking your help".

By then the Russian soldiers were coming down the hill, from the direction of the castle, and so did Dalnoki's Hungarian volunteers. One could recognize them from the salmon-colored pink armbands they wore. Those were made of silk used in German parachutes. We stood on the street and conversed next to the church. When a Russian patrol approached, Wallenberg entered the sacristy and hid out in the furnace chamber until the patrol passed by. He did not want to be asked to identify himself. Later on we continued our debate next to the church, at which time the military railroad construction unit came out of the school cellar--they had been there for weeks. The Russians lined them up for identification purposes. They suggested that I too get into that line, right there among the soldiers, at least they would check my papers and my situation would be clarified. Wallenberg turned to me: "Don't go anywhere". We walked over to the rectory, but soon a group of Russian soldiers entered. By then they were combing through Meszaros Street. We were in Zoltan Liska's room. The soldiers passed us by on their way upstairs. After the soldiers left, Wallenberg said farewell and departed. "I'll get in touch" he said. I never saw him again.

## FOUNDATIONS OF RELIGIOUS FAITH DISCUSSED

Bucharest REVISTA DE FILOSOFIE in Romanian Jan-Feb 87 pp 98-102

[Article by Florin Georgescu: "Notes on Religion"; passages within slantlines published in italics]

[Text] A complex social phenomenon appearing in a certain stage of human evolution, religion functions within society alongside and in relation to its other components. There are no differences of principle between religion and the various fields of the social complex, it not having, of course, a supernatural origin, as it claims, or an extrasocial essence. Religious life is presented to the believer as a relationship between man and the supernatural. However, such a relationship does not actually exist, because one of the two terms, the supernatural--considered by man, in his position as a religious being, something external to him and, in any case, a higher reality with respect to himself--does not exist, it only being presumed to exist. In fact, the relationship exists in the subject's being, between the one who believes and the object of his belief, which object, since it is conceived by the subject's consciousness, is an act of consciousness and nothing else. This relationship is denoted by the term "subjective religion."

The supernatural is a presumed existence (presumed by man's thinking)--that is, not a real one. However, the religious subject is convinced of its existence beyond his subjectivity. The basis of the supernatural is thus found in a certain subjective act, in belief. The subject believes in its existence without having any doubt about the belief, that it could be erroneous. The consciousness is directed toward the supernatural and not toward the act of belief. The question of the existence of the supernatural is not posed because there is no doubt about its basis, about belief. Connected with the idea of the supernatural, others that, in their entirety, form the religious ideology register in the consciousness.

The religious ideology exists through individuals that lead their lives as integrated members of given human communities. /Religion/ is thus presented as a /relationship/ between individuals and the supernatural, on the one hand, and among the individuals of the same religious community, on the other. The religious consciousness presupposes, besides the religious ideology, a certain specific psychology. The members of the community give life to religious ideas through spiritual and psychological manifestations characteristic of

religion in the form of certain attitudes, states of mind, motivations, convictions, opinions, feelings, and so on. All these things represent the religious psychology.

The specifically structured ideas, beliefs, states of mind, etc. are objectified, are expressed in practical life. Therefore, religion is not only an internal experience, within the subject, but also an externalization, a certain behavior that enters into the extension of the religious consciousness, occurring as such in the form of the cult. Cult practices represent what is called "objective religion."

Processually, within a human community, religious ideas, cult activity, etc. are organized and are practiced in specific religious institutions.

Religion is characterized by a mythological, teleological, and dogmatic aspect, but also by a ritualistic one, through practices performed in conformity with certain rules; its ideas are structured in the form of a systematized consciousness, but also function as elements of the common consciousness; it wants to be an explanation, but also a moral guide--a general theory about life and the world, but also life lived in a certain way in the world; it is expressed by images, representations, but also by abstract, conceptualized ideas, or by symbols, sometimes resorting to cryptic language; it offers models of behavior, but also formulates imperatives; it presupposes a set of ideas, but also ceremonies; it is professed more or less personally by the mass of believers, but from them comes a group which constitutes a separate corps, relatively distinct from the rest of the religious community, meant to provide the cult activity, the defense of the basic ideas, and the interpretation and dissemination of them, and which has the task of guiding the given community, of forming it in the spirit of the religion that it represents.

The religious phenomenon is and functions as a system. It was necessarily instituted as such, satisfying overall and variously certain requirements of the social system to which it belongs, evolving in relation to it. Religion's constituent elements all appear centered on the idea of the supernatural. In reality, however, since the supernatural does not exist, the religious system functions in connection with the other social systems, it being determined or influenced by them and, in its turn, playing an active role with respect to them. For precisely this reason, the central idea characteristic of any religion (of the supernatural) can be correctly understood only if it is viewed in relation to the social reality and its other fields. The direct basis of the supernatural is, as we stated, the belief manifested by the subject. In this context, the relationship of determination is from the subject to the supernatural, from the act of belief to its object. However, the believer is convinced of the existence of a relationship with the opposite direction: He feels that the supernatural is the basis of his belief, that he has the belief that he professes due to the supernatural, since it exists. In reality, in a broader, consistently deterministic view, the basis of belief, of all religious ideas, of the specific psychological states, of the cult, and of the corresponding institutions is found in the material life of society, in the people's conditions of existence. "Religion is the self-consciousness and self-feeling of man who either has not yet found himself or has lost himself



again" (Marx). The question is posed: Where and how should man find himself and where and why can he lose himself?

Man can find himself as man in and only in the system of social relations, only within social life. Man's effort to find himself, or, in other words, to fulfill himself as man, as a being unconditionally superior to the other creatures, is made mainly in the form of the production of material assets. In order to exist, he must produce his means of subsistence--that is, produce an existence of another type than that which would be provided by means of nature. Of course, the human being depends on the natural conditions. However, his specific, superior existence is not given exclusively by these conditions. It is achieved in the extension of natural determinism, but, at the same time, also as a result of the effort made as labor. Human existence is an instituted existence. Man always takes action pursuing certain goals. Through his labor he achieves teleological institutions. The goal, the thought that guides the effort made in order to attain the result, is always present in the act of producing the necessities of life. Through thought man anticipates what he is to accomplish. Thus, he always anticipates his own existence. As a conscious being, he wants to be in the future more than he is at the given time, therefore projecting himself into a state superior to the one in which he is found. His concrete existence is always transcended by thought. The transition from the existing state to the presumed one, from the way of being to the possible way, does not depend exclusively on him, but, in particular, on the circumstances of life, on the social conditions in which he carries on his existence. Insufficiently developed, society--in which he leads his life and which provides his existence as man--does not allow, however, his fulfillment as a total man. The possibility of fulfillment in proportion to the aspirations that result from the essence of his nature remains a fiction. Consequently, he will experience fulfillment in a fictitious way. Seeking himself in social relations, he did find himself as desired to be, because he always projected himself into an optimum condition and, every time, did not find himself as he projected himself. He did not reach such a level because, being rudimentary, the means of labor, through which he acted on nature in order to build his own existence, did not help enough. Powerless in the world in which he lived and conscientizing in a way his powerlessness (relative only, historical), man resorted to the idea of another world, believed in the existence of forces stronger than he, but also than the realities external to him, forces by means of which he hoped that he could subdue the surrounding world in order to optimize his existence. Gradually, because along the way he realized that his life still remained unfulfilled, he directed his thinking toward the hereafter not only in order to be helped on earth but also in the hope that, reaching there, he would attain perfection, that he would be completely happy. Therefore, the basis of the belief in the existence of the supernatural is found in real life. The people's conditions of existence represent the social causes or social roots of religion.

However, in order for people to share a certain belief in the existence of something that did not exist they first had to arrive at the idea of what the object of their belief represented. But religious ideas are not given and do not appear spontaneously. They are the result of a process of construction that human thinking achieves. The material life of society and social being

condition and determine the appearance of ideas about the supernatural. However, the one who generates such ideas is man, his consciousness. Social being acts determinatively on the human consciousness, which, through its own "resources," creates ideas about the kingdom of heaven. And consciousness is able to create such ideas only when it is developed enough to be capable of such a difficult task. This is precisely why religion did not appear at the same time as man, but much later. In the first stages of human evolution the consciousness was weak, much too connected with the concrete, with the direct reality, with existence, to be able to detach itself from it and be capable of thinking about an existence that did not exist. The material conditions of life involved in the appearance of religion functioned, we would say, from the beginnings of the history of the human race, man being even more helpless in the initial stages of his evolution. The human consciousness, weak back in those times, did not give free rein to their determinative action because it did not have the capacity to devise ideas so abstract as religious ones. Therefore, it follows that those mechanisms of knowledge that gave rise to the idea of the supernatural began to function only in a certain stage of its development. The cognitive mechanisms that produce the religious idea are denoted by the term "the gnoseological roots of religion."

The two dimensions specific to the human spirit--the act of producing ideas and, on the other hand, the act of belief--condition, intensify, and supplement each other, advancing (relatively) convergently toward the supernatural, as a product of knowledge and an object of belief. In addition, they must not be viewed in isolation from the rest of the human being, from his life in all its complexity--that is, from the other abstract ideas or other beliefs practiced or professed in relation to reality. The feeling of belief, for instance, was not experienced exclusively in relation to the supernatural. Belief as a subjective, natural act characteristic of the human being manifests itself as an integral part of all of the processes and states of consciousness through which man relates to reality. He believes not only in the supernatural, in something that does not exist and cannot exist, but also in possible situations that can be accomplished, he believes in his fellow creatures, he believes that they can manifest themselves in proportion to his expectations, that he can live a superior life, etc. Oriented toward the world as a being who believed and had confidence and as a subject who worked with ideas, but determined by the unfavorable conditions of material life, he also tried to believe in the possibility of miracles and in the possible existence of a worker of miracles, of a force that might be able to do things that did not lie within his power. Thus, man oriented his being (as a subject who believed and created abstract ideas) toward a possible but fanciful world of another nature than the existing one and imagined as far superior to it.

At the same time, the specific relationships that people practice and the activities that they perform are also involved in instituting the religious phenomenon. The way in which people lead their lives influences, directly or indirectly, the way in which they produce, in their minds, the supernatural, the way in which they understand it and relate to it. The way of producing the material conditions necessary to human existence has the leading role in this determination. In the basic act through which they produce their life as people, in order to live as people, it interacts directly with the objective

world. Every time, they had to face the forces of nature, which, it can be said from a certain perspective, proved stronger than they. In consequence, religion was instituted as a reflection "in the people's minds of the external forces that dominate their everyday life" (Engels).

As a system of specific ideas and practices, religion lies "between" the real world (whose reflection it is, without his realizing this) and the supernatural world (whose reflection it is considered), through which man, in his aspect as a believing being, tries and hopes to dominate the former. Religion is determined by social life, by social being in the final analysis, but, consciousness existing (and not only a determined social act), it is oriented toward its object (constructed by itself), toward the supernatural. The religious consciousness reflects the existing determinant, which, however, it ignores as a determinant because it is directed toward its product. From this viewpoint, it is a self-reflection. It produces the object to reflect, which it reflects as something existing externally to it. The mechanism functions through the succession of the generations. As it exists concretely at a given time, it is not the reflection of the supernatural as a reality in itself, but of the supernatural as it was conceived by the previous generation. Therefore, although determined by material existence, social consciousness has a relatively autonomous movement with respect to it, since it reproduces itself through its passage from one generation to another. Material life undergoes, as we know, continual evolution, it changes, it is structured and restructured, passing to new stages of development. The religious consciousness, given its specific character, can ignore these changes to a certain extent, remaining behind the new realities instituted. It is the form of social consciousness with the greatest inertia.

As a system of ideas that refer to the kingdom of heaven, the religious consciousness is a pseudoreflexion, a false reflection, because the world that it claims to reflect does not exist. However, religious ideas also refer to the real world. The doctrines of the various religions are also presented as explanations of the universe in its entirety and of some of its particular aspects, contain references, explanations regarding man's appearance, his life, the birth of social institutions, of customs, etc. The specific character of the explanations of a religious type lies in the fact that the realities that are to be explained are related to the supernatural. This is because, in the spirit of belief, reality taken as a whole and any particular case of it represent nothing but the expression, manifestation, or result of the action of supernatural forces.

However, the characterization of the religious consciousness as a false reflection covers only one facet of it, and consequently, its particularly complex nature cannot be reduced only to this characterization. Like the other forms of social consciousness, religion reflects material life, constructing, however, a world completely opposed to the existing one. But the ideas produced in the system of religion, which give it content and being, do not represent a simple collection of errors. (Moreover, not all religious ideas have an explicative function.) They form a single whole, a relatively coherent picture. The world that religion conceives would represent the peak of perfection, incomparable to the earthly world, where disorder and imperfection



prevail. In contrast to the real world, the one projected by the religious consciousness is a fanciful world. Everything there is of another essence, another order prevails, everything occurs according to other laws than in earthly life. Besides other processes of the human spirit (mentioned above: the construction of ideas through abstraction; the feeling of belief), fantasy functions in the complicated mechanisms through which the production of the kingdom of heaven occurs. It makes possible the detachment of man's consciousness from reality and the projection of it toward the unreal. To the believer, the supernatural world is just as real as the one in which he lives. Through religion, existence was divided into two: Besides the world of things, that of spirits exists.

Man becomes conscious of the existence of the world in which he lives through experience. Manifesting himself as a praxeological subject, he finds that it is opposed to action, that it therefore exists. As a religious subject he can grant "existence" to the unreal world through fantasy and belief. The religious being excludes himself as a praxeological subject (who effectively encounters the existing realities) and as a gnosological subject (who perceives things as existing), deducing from thinking, through fantasy, the existence of supernatural forces. Convinced of the existence of the kingdom of heaven, which he considers superior, the believer disparages the world in which he leads his life, considers it unreal, apparent, delusive. Thus, in a way, religion achieves a motion of translation from the dualistic view (according to which the world is divided into two) to a monistic view (the true reality, the only authentic one, is the spiritual one).

The approach to religion as a fanciful reflection allows a more comprehensive analysis than the one that would be based on the idea that it is a false reflection. In the latter case, religion is defined as a cognitive process, as an effort to explain what exists (the real world) or what is presumed to exist (the supernatural world). Conceived as a reflection, it is viewed not only in relation to its object, to what it wants to explain, but also in relation to its determinant. For this reason, in the former aspect (a false reflection), it appears in a specific relationship (of opposition), especially to science; in the latter aspect (a fanciful reflection), it enters into sui generis relationships with all the subsystems of social life, with each of the forms of social consciousness. In connection with everything that occurs within them, within all fields of social activity, it has specific positions, [which], as it claims, "result" from the fanciful world. This time, fantasy, which made possible man's separation from reality to a certain extent in order to project him toward the unreal, achieves an opposite process: It makes possible the relating of the unreal world to the real one, deducing from the fanciful world the activities performed in one field of social life or another. In this position, religion seems to be a basis of social life. Consequently, it is presented as a jack-of-all-trades. "Religion is the general theory of this world, its encyclopedic compendium, its logic in popular form, its spiritualistic point d'honneur, its solemn completion, its general basis for consolation and justification" (Marx). It tends and claims to be, in a way, philosophy (general theory), and science (encyclopedic compendium), and morals (moral sanction), and policy and law (consolation and justification), and ideology (all of the above together), and common knowledge (logic in popular form), and



social psychology (enthusiasm), etc. The sense of the direction from religion to society is real. It functions (of course, not in the form that religion claims) because, in fact, society is what determined the institution of the religion phenomenon, imposing the opposite action on it. The fanciful world lies at the opposite pole from the real world, but it enters into the extension of it. Religion is not a copy of heaven but of earth. It is a fanciful idea, but "a reflection in which earthly forces take the form of supernatural forces" (Engels). The image of the fanciful world has not been the same throughout history or even the same among various peoples in the same sequence of history. From the moment of institution, the man-supernatural relationship has been present in the life of all communities in all times. However, it has taken various forms, a reason why it can be said that not a religion, but religions exist. Social life—characterized in a certain way and carried out in a certain way—determined not only the relating of man to the supernatural but also the specific forms through which it achieved this relating. The picture of the fanciful world characteristic of a community in a given stage of its history depends on the concrete conditions of life, on the way in which the people relate to nature, and this—due to the level of development of the production forces—also depends on the relationships that they achieve among them in the production process, on the other relationships characteristic of the superstructure, on the nature of the community (kin, tribe, people, etc.), on the class structure, and others. Scientific research (archeology, history, ethnography) have brought out the correspondence between the real world in which human communities carry on their existence and the fanciful world. In the basis of the determination exercised by real life, religion proves to be a historical phenomenon. Although opposed to the real world and, apparently, completely independent from it, the fanciful world "follows" in its evolution, from a certain distance, the movement of the social processes. It has been restructured according to the changes occurring in the practice of life, it being determined in its changes by the changes that occur in society and, in the final analysis, in the material conditions of existence. Forms of religion are therefore distinguished according to the social and economic formation (some specific to primitive societies, others to slaveowning societies), according to the community way of life (kinship-tribal, national, and world religions), according to the object of veneration (polytheistic, dualistic, and monotheistic).

The fanciful world produced by the religious consciousness is not the result of a gratuitous act, a result of artistic fantasy, or the expression of a great error of the process of knowledge. Man did not resort to religion as an aesthetic subject, in order to be delighted in the presence of his own creations, or because he wanted to be deceived as a cognitive subject resorting to a fiction in order to explain the surrounding world. He created the fantastic not in order to view it but by being convinced that its world is real. And if he believed unwaveringly in its reality, this means that the reality in which he spent his life was not commensurate with his essence. Achieving his existence, a precarious existence, he did not also completely fulfill his essence as a superior being. And because he was not able to really fulfill himself by means of reality, he resorted to fantasy, he created the fantastic, believing and hoping fervently that he would succeed in his effort at total fulfillment by means of it. Religion is not only a reflection (false,

fanciful) but also a certain way of fulfillment of man. "Religion is the /fanciful fulfillment/ of the human essence because the /human essence/ does not possess a true reality" (Marx). Leading his life in an unreal way, but always aspiring to a truly human life, man had no other solution than to believe that he was able to fulfill himself by means of the supernatural. He had no other solution, but the one into which he was compelled was not a true solution, because his fulfillment would be only in fantasy--that is, it would be illusory. Religion thus represented a form through which man became alienated from himself. He forgot his own essence, and consequently, he no longer fought for it consistently. Preoccupied with possible fulfillment in fantasy and through fantasy, he no longer directed his attention toward his real life, in order to uncover the circumstances hostile to his being, to real life, and the possibilities that, translated into a reality through effort, would have met him halfway. Disillusioned by the world in which he lived and deluded that he would fulfill himself in a fanciful form, he abandoned himself to religion, remaining defenseless before life. The alienating nature of religion was extended to the orders based on exploitation when, broadly speaking, it served the interests of the ruling classes. From that historical moment, religion acquired a class character.

12105

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## BOOK ON 1900-1914 TRANSYLVANIAN POLITICAL DEVELOPMENTS

Cluj-Napoca TRIBUNA in Romanian No 11, 12 Mar 87 p 6

[Book Review by Nicolae Bocsan]

[Text] A recent appearance at the Dacia Publishers, the book by Cluj professor Liviu Maior entitled "The Romanian National Movement of Transylvania in 1900-1914" brings up for discussion by specialists and the public at large one of the most interesting and less well-known periods in the Romanian national movement, preceding 1918. A well-known interpreter of the Romanian national phenomenon from Transylvania, Prof Liviu Maior approaches the subject from the perspective of a necessary synthesis, proposing problems which fit into the methodological principles of the genre.

From the overall manifestations comprising the Romanian national movement the author brings out most strikingly the Romanian political phenomenon around which the great diversity and complexity of manifestations or components of the national movement were built, all converging toward a political end, self-determination, which actually sublimated the various manifestations of the national spirit. This thesis represents an indisputable progress in investigating the problem, with many suggestions for future research, a fertile field for future investigation. We think it is extremely interesting to follow this convergence of various components of the movement (economic, social, cultural, religious, military) as the Cluj historian proceeded, the convergence which transformed them ideologically into a significant synthesis toward the political, the general Romanian program of emancipation of national unity. The difficulties of such an undertaking are clear, but they were overcome with excellent results due to good knowledge of the documents, the problems and the era and, last but not least, the method we were speaking of.

Lacking prejudgments, the author clearly overcomes the traditional style of investigating the national movement, following primarily, as we were saying, the political phenomenon or other manifestations transformed into the political or with a political end from the angle of the social forces promoting them, which formed the human and, of course, also the social support for the movement. Without abandoning the overall picture, the author lowers the investigation to the level of the categories incorporated in the national struggle, reestablished and defined with remarkable clarity in a special chapter. Returning as much as necessary the role of the leaders and central leadership organs or coordinating

organs of the movement, at the same time the work considerably changes our perspective of the Romanian political struggle, bringing to the surface new, often less noted social categories, groupings, local organizations and so forth.

So we enjoy a more shaded interpretation which is a reality of the new political activism closer to history and its birth around the groupings of Arad and Orastie, with certain contribution from Sibiu. We say more shaded because the author brings out with remarkable clarity the common points and differences existing in the orientation of these groupings and their contribution to crystalization of the ideology of neoactivism and the continuity with the principles of the old activism of Banat or Transylvania, a democratic spirit, often high spirit, which triumphed in the Romanian movement after 1905, with the new program being one of the most radical in the Hapsburg monarchy.

The investigation achieves an indisputable forward step in the discussion in the concern with presenting the ways in which the national movement sought to apply the program, establishing an exceptional consistency between doctrine, program and actually carried out political actions. The substance of one entire chapter, this concern illustrates perhaps most clearly the way in which the various manifestations changed into the political, the way in which they sublimated all spheres of the movement. In that same chapter we note abandoning of a localist, provincial vision in favor of a general Romanian and world vision. The Romanians' national movement seems closely knit with Romania's foreign policy, with the actions of the political parties, governments, parliament or opinion-making circles in Romania. Understanding of it is then made easier by the continual reference and even integration in the political phenomenon in the empire, from Hungary primarily, in the relations between Germany-Austria-Hungary, in Romania's relations with the Axis. The book's conclusions point out the real share, and we may add the great share, of the Romanian movement, corroborated with Romania's foreign policy in the overall relationship of forces in Europe, that is, the place of the Romanian problem in the political balance and the balance of forces in Europe on the eve of World War I.

Tributary of the methods of synthesis and the ideas of globality, the author proceeded to an investigation of the movement in the unity of its diversity. Abandoning the older prejudgments, he proposes to us a clear and shaded analysis of the various trends in the movement, starting with federalism, seen at its origin, its phase of apogee and its failure, continuing with the radical grouping of the "young tempered ones" and its role in the Romanian National Party on the eve of World War I, born perhaps as a reaction to the federalist plans agitated for by some leaders and not lacking, we think, doctrinary value (A. C. Popovici), in any case superior to the dualist formula of the governors, with the main theme being ethnic and national. Association of the Romanian socialists with these new trends in the movement (federalism, "the young tempered ones") was not accidental, added to the traditional grouping. They integrated into the movement for self-determination and national unity from their own social and political platform. It was a new viewpoint, since until then there had been talk more of the contribution of the socialists or their attitude toward the national problem. Professor Maior's synthesis associates the socialists with the new trends in the movement, who now arrived at formulating a correct relationship between the national and internationalism. Let us recognize that their association with the collaboration movement with the Romanian National Party



after 1905 contributed substantially to the democratic orientation of the program and Romanian national doctrine, to affirmation of the radical trends from the start of our century. Such a step explains very well the alliance of the two Romanian political forces in the fall of 1918, which was the political basis for the revolutionary process finalized by uniting Transylvania with Romania.

We have brought out just several of the works' contributions, significant ones, we feel, inevitably accepting the subjectivism of the one writing these lines, convinced that the excellent book by Prof Liviu Maior with special graphics, as the Dacia Publishers have accustomed us, opens a new series of problems in investigation of modern Romanian history, launches new fields of investigation placed under the sign of the modern measures we record in world historiography.

8071

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## ATTITUDES TOWARD YOUTH PRESS EXAMINED

Zagreb VJESNIK (SEDAM DANA supplement) in Serbo-Croatian 28 Mar 87 pp 6-7

[Article by Ivkica Basic: "All the Traps of Good Intentions"]

[Text] The youth press is even exaggeratedly on the line of the LCY Program, and it is that that produces its biggest problems. Those are elitist newspapers which to a large extent have been affected by the nationalistic blindness, newspapers whose columns are opening up more and more to bourgeois rightwingers, liberalism, and bad taste....

These two contradictory sentences have been placed together intentionally, but not because of mere attractiveness. The reason is quite simple: even though both are debatable and euphoric (which does not need any special proof), these are unfortunately the most frequent assessments which are today served up in any conversation about the youth press. These extremes were not avoided even by last week's conference on the social status, place, and role of youth newspapers which was organized in the Sava Convention Center by the Presidium of the SSOJ Conference, which according to the list was supposed to bring together a very qualified (and eminent) group of participants. The fact that in most cases the second string actually came (young journalists and editors from all over the country) while the "gray-haired heads" (from sociopolitical organizations and bodies and agencies of the Federation and the republics and provinces, the so-called serious press) mostly did not respond, is seen by cynics as being directly related to certain prior party conversations in preparation of the so-called ideological plenum. But let us leave that to one side.

It is not difficult to ascertain the origin of the two mutually exclusive opinions mentioned at the beginning. The first comes to us from the direct producers, the youngish journalists, and the other signed by "our bureaucracy, which in its powerlessness does not know what else to do but to pin on labels."

These are the words of Goran Markovic, chairman of the commission of the SSOJ Conference who delivered the introductory address and who took OMLADINSKI POKRET in Zagreb as an example in talking about our well-known themes and dilemmas. How are we to explain that OMLADINSKI POKRET was not a matter of dispute until it began, taking the risk of making a mistake, but with honest intentions, to expose certain phenomena, to question those responsible for them, to destroy petit bourgeois morality, and to demand specific accountability?" Markovic wondered.

He then added that "great responsibility falls on youth leadership bodies not only to rescue courageous and principled articles and their authors, but also to open up room for future documented collisions with statism, with economic incompetence, with nationalism, in short, with all those betrayals of the self-management blueprint and working class whose name and address are difficult or altogether impossible to ascertain."

#### In the Gap

This is that slippery terrain to which youth journalism has unanimously fallen in the recent past. The aggressive desire to swallow even the largest political bites for which frequently, as the famous editor-in-chief of MLADOST Vlastimir Mijovic has plastically put it, "they have neither large enough mouths nor enough gastric juice." He is the one who said that the junior press is today in the gap between the left and the right, and the reason for this is that it has even exaggerated in following the party program. But it "does not confine itself to principle, it puts its finger on quite specific things and individuals, it is doing exactly what the big-time press does poorly, and so there are conflicts and the pinning on of labels of different colors."

What does it actually intend by this orientation? Isn't it to a large extent a trap in which the minor press has allowed itself to be caught? What else is hidden behind that aside from the notable dose of masochism? The answers, let us be realistic, can only be suspected, and as such, barely suspected, they have different signs in front of them. Nevertheless, it would be hard not to agree with one of Markovic's assessments to the effect that "when in the youth newspapers we reject the paranoia of the witch hunt, the untenable prefix of the bureaucratic counterrevolution for which the right label is the right, then we turn against the hypocrisy of those who have left us Obrovaces and Smederevos, those who have held us back in our education, those who do not have within themselves even that minimum of human morality so that they would recognize themselves and withdraw."

There is a paradox. Our junior press (in which it is not alone!) has presumably never before been examined, read, and reread under a political magnifying glass as it is today, while on the other hand there is the amazing fact: its total circulation is extremely skimpy. According to some, not nearly a million copies, and according to others (the figures are said to be quite recent) the number is appalling--about 300,000 copies when there are 6 million young people. Only those who are extremely blinded, and there are people of that kind on youth editorial boards and elsewhere, will refuse to admit that that low circulation indicates a minimal impact on the generation.

Who then is it disturbing? And what is it that is actually disturbing? Mojmir Ocvirk says that the political soulsavers are disturbed, say, by the mere mention of the name and family of Rankovic in MLADINA, and it is interesting that the "condemnations usually come when there is writing about so-called prohibited persons or those who think differently, but no one reproaches the newspapers which write nothing at all about that." "It is not true," Ocvirk says, "that the public is disturbed by writing about some 'controversial' event. On the contrary, the public is disturbed when something happens and when it cannot read about it in the press."

Fortunately, life does not flow between the lines, whatever the efforts made by that bureaucratic mind to cover everything and thus to cram its morality, ethics, and ideological principles between the lines. Many people forget that, but the youth press usually does not. Goran Markovic recalls that the text is almost always explicit, whether it is MLADOST naming the name of a director, NON some former official, or POLET the unacceptable execution by the media in a struggle for power which is an end in itself. It follows that those fare best who do not write or who copy. Zoran Miljatovic, chief editor of NON, therefore asked the rhetorical question "Whether it is better to have young people who remain silent or who take a risk; that is, why is it that there is a constant hue and cry about the youth press that deals with the news and never about the youth press of the entertainment type like BRAVO?"

#### A Division Ready To Hand

Miljatovic touched on yet another very relevant topic which he referred to as the "division ready to hand into left and right." That is, he recalled that until yesterday NON was classified as a leftist newspaper, while today it's platform has allegedly undergone a profound change. Today NON is officially a right-wing newspaper which has even opened its doors up to well-known nationalistic forces. Is that really so? Without any intention whatsoever of granting amnesty to any individual article, but at the same time condemning those who take an editorial gaff as conceptual unacceptability, Markovic was resolute: "If there is any reason for us to be content, then it lies above all in the fact that our youth press is not nationalistic. That is why I most vigorously reject any accusations which have been heard concerning NON and MLADOST, even at official meetings. They are an expression of extreme irresponsibility and bad faith, and this is a great danger when done by people who hold distinguished political office." Among the people holding distinguished political office this meeting was attended by Marko Lolic, executive secretary in the Presidium of the LCY Central Committee, and it is not unimportant to mention that his speech evoked a number of reports and opposition. How did Lolic provoke the young journalists? He backed up the argument that self-criticism is a moral condition of every criticism and that there is no criticism of that particular kind in the youth press by saying what he sees in those papers: "A priori cynicism and abhorrence of everything that is organized, an unthinking openness toward the right-wing terror, a failure to understand the place and role of the YPA, ironic treatment of the top-level party meetings, and the view that every party speech amounts to dangerous Stalinism."

You do not talk about that, Lolic delivered his message, but Milan Becejic (deputy editor-in-chief of NON) came back with a question: Is there enough self-criticism in the LC itself and in the so-called serious press? Why are distinguished figures not held accountable for the mistakes made in the system? When accounts are settled in the newspaper POLITIKA, is this also on the line of the ethics which the youth newspapers are accused of lacking?

It sounds a bit defensive, and that in fact was the case of quite a bit that could be heard at that meeting, from the young people, but alas also from those who are older as well. The ears registered more of that than could fit on paper, more of that than of anything new. The truth is this: the youth press is



not to blame for our having achieved notoriety for factories and steel mills which are mistakes, still less for our being in next to last place in Europe with respect to illiteracy. Who is to blame for that? The short answer to that is that these are social processes. However, if we are going to brandish the odious worker terminology in every speech, then we should frankly say that our most aggressive force is irresponsibility. Irresponsibility in love with being (un)successful, a condition that for a long time now has not been the criterion used as to whether someone is to stay in the sociopolitical orbit (and quite often it is not used as an entrance criterion).

When the talk takes that turn, for all the inarticulateness, the mistakes made in the way it goes about things, youth journalism is combating all those who perceive their own helplessness to be under attack and who constitute an attack on the basic achievements, the revolution, and forums. But by taking up the dialogue we have referred to that segment of the press risks losing unrecoverable time when it could become part of the positive program of economic and political changes. Not only because it is wasting energy and breath, but because it thereby runs the risk that the bourgeois regression--exactly what it has been rebelling against--will class it generally among some sort of bourgeois or petit bourgeois right-wing, ultraleft-wing, or some other nightmare.

With a bit more selectivity, political savvy, and knowledge aforethought, which is presumably taken for granted in any public effort, it will not be difficult to evaluate the last issue of MLADINA (on 20 March) with the sketched map of the old Yugoslavia on which one sees the itinerary of the "Federal Relay on 6 September 1940." That map is accompanied by the text: "This is how the Sokols from all over the country celebrated the birthday of their Eminent Commander-in-Chief and King H.E. Peter II. It is along these routes that the baton was carried from every parish." The well-known negativistic approach in politics!

Even were we to perceive that blessed state when our youth press did not "jump the traces" in any respect, would we allow it to be a mere reproduction of "official" positions and not even attempt to bring that "official statement" down to earth somewhat. That would be considerably more disturbing than we are today disturbed by certain aphorisms, cartoons, and maps.

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## CHANGING ATTITUDE TOWARD RELIGIOUS HOLIDAYS NOTED

Belgrade DUGA in Serbo-Croatian 10 Jan 87 pp 26-27

[Article by Momo Kapor: "Opium of the People"]

[Text] Unbelievable! One thousand nine hundred eighty-six years after Christ, someone has finally wished me a Merry Christmas in public! And this was none other than His Holiness, the Ljubljana Archbishop and Slovene Metropolitan, Doctor Alojzije Susteršič.

"Addressing the listeners of Radio Ljubljana," he writes in the newspapers, "and greeting them on the occasion of the Christmas holidays, the Slovene Archbishop emphasized that he was addressing his greetings and best wishes to the Slovenes who believe, to those who think differently, and also to those who live among the Slovenes. In greeting everyone on the occasion of the Christmas holidays, for the first time since the war, the Ljubljana Archbishop stressed that he was not greeting only Catholics, but also all other Christians and the Orthodox who celebrate it on 7 January..."

In His Holiness's speech, I was among "all other Christians and the Orthodox who celebrate it on 7 January..."

And thus, one thousand nine hundred and eighty-six years after Christ, someone has finally congratulated me in public on his birth! I was completely shocked! "Truly he is born!"--I exclaimed to myself, having made sure that no one was listening to me. (There is another thing that I still cannot understand at all--how the same Christ could have been born twice, once on 25 December and a second time on 7 January. Probably the birth records were burnt because of the frequent wars between the Catholics and the Orthodox?)

The last time, as far as I know, was only when the Supreme Commander publicly gave Christmas greetings to the people on 7 January, in the distant year of 1945:

"I am relaying to you the greetings of the Supreme Headquarters, and I am congratulating you on the Christmas holidays and the New Year," he said then to the people gathered in Srpska Jasenica. "This great holiday that was celebrated by your fathers, grandfathers, and great-grandfathers, is being celebrated by you today with a belief in a better future..."

Without intending any flattery, I have always been amazed at the Slovenes' wisdom, tolerance, and persistence in commemorating their holidays, their Christmases, Easters, and their dead, everything that has preserved them for centuries and made them what they are. I will not say that I have not also envied them a little: I spent several Christmases in Ljubljana, first of all on Tromostovje, which burnt with thousands of stars, lanterns, balls, and candles against the gentle snow; I walked around with a glass of "viljemovka" in my hand and along the way munched on Kranj sausages, and afterwards, you know, the Miki Pen Club in Tomsiceva, a Christmas Eve dinner: cod and lentils, and "Radgonska penina" champagne, of course, and afterwards a midnight mass in the Cathedral, the charming, dignified profiles of Ljubljana girls draped in furs, with Bach on the organ; all of this usually ended before morning, in the studios of my painter friends or the rooms of writers, with drunken conversations about the differences and similarities between us and the Slovenes...

And now Christmas greetings have reached me from Ljubljana, which do not at all resemble our way of giving Christmas greetings--a little conspiratorial, semisecret, semiapologetic, semiembarrassed, semiwhispered, when a tipsy friend grabs you and hugs you like a bear, and says hastily into your ear, so that no one will hear him, looking around on all sides, "Christ is born, brother!"--as if he had stolen something and had not been caught yet. Why in a semiwhisper? Why semisecret, and conspiratorial? Have we been reactionaries? I don't believe so. Nationalists? Not that either. We have regularly visited Moslems for Bairam (we ate sogan-dolme, sis-cevap, and bamje), we have visited Jews to give them Passover greetings, with matzos, and we have stood politely and quietly with Catholics in their cathedrals, listening to Handel in cool, vaulted, acoustics; we have greeted veterans on Veterans' Day and officers on Army Day, and all of this time we celebrated our Christmases secretly, as if we were guilty of something... But perhaps those whose homes we went to for Bairams, Passovers, and Christmases felt the same thing, and did not speak to us about it out of politeness?

I have traveled through eastern and northern cities, and gone into churches to light candles for the living and the dead, but many of them--look!--housed government offices, kindergartens, metro offices, libraries, municipal sanitation departments--even a museum of atheism! I was amazed at the immeasurably high consciousness of the inhabitants of those cities and at how courageously they broke away from religion, throwing out candlesticks and icons, but I can tell you: a metro office, a library or kindergarten, a municipal sanitation department or a museum in a church will never bring any good, just as those who move overnight into other people's seized houses are never fortunate. That mostly brings no good--as is well known, the children and grandchildren pay for it later on. What I mean to say is that a person does not have to be religious to believe in the existence of some cosmic justice. "There is a God!" my old aunt used to say. "The Devil came for his own!"

As for my late aunt (God have mercy on her soul), who sheltered and protected me during the war, while the rest of the family rushed with rifles around the valleys and mountains of our beloved homeland, so tiny and with veins on her



legs, alone in a world of hostile men, she was a genuine hero when it came to celebrating holidays. Even during the occupation, when patrols were constantly breaking into our house and kicking open the cupboards, in the middle of poverty and hunger, she lit a prewar candle for our patron saint's day, baked saint's day cakes out of nothing, and hid an icon, a candlestick, and a Serbian tricolor flag (which at that time had no class connotations) under the coal, despite everyone and everything. And just then, when she thought that even that wonder had finally ended, she began to be accused of being reactionary, because she celebrated Christmas and saint's days. During one holiday, some woman activist from the first floor (AFEZE or FRONT, I no longer remember which) came into our home unannounced, dressed in a stern gray suit with a pin in the lapel, with her hair cut short and serious as death, and so we again hid the candle, wheat, and Christmas cake in the pantry, so that they wouldn't take away our ration coupons...

Why am I writing all of this? In order to turn the young people who are coming up away from religion, which is, as we well know, the opium of the people! It is simply that by confessing in this brief essay my attitude toward religious holidays, I am perhaps providing material for some more serious sociologist, historian, or analyst to discover where the causes of this ancient evil lie and thus save youth from the dangerous scent of incense and the poison of old and long obsolete customs. Sinful as God made me, the culprit on duty in this so innocent country, I am confessing my long-ago hidden guilt, and I remember how we once praised our saints, although my memory no longer serves me well (someone has been stubbornly erasing it for years, so that I am left almost without memories), but I still know the following: in our house, the yule log (a bundle of oak branches and straw) stood in front of the door until morning, and early in the morning we waited for the first guest--the first traveler happening to stop by. Who would it be? One year it was a Gypsy beggar, and it was observed; he was the first guest, the main guest, and he had to bring the yule log into the house and light the fire, and keep it going and stir it up and constantly stoke it, and as he did this he had to say, "As much steam as embers, as much (I don't know what) as sparks"; finally, he received gifts, at that poverty-stricken time: a pair of wool socks, an apple and something to eat, to take home with him...

And then, when even the authorities came down from their podiums, in the many tempestuous changes that fate lavished upon us, some comrades sank back into Orthodoxy. The same ones on whose account we carried our yule logs secretly from the market, hidden under our winter coats, began to look upon us with reproach because we were not maintaining our old Orthodox customs properly!

And when they died, spectacles began at their funerals! First of all an honor guard lined up for the final salute, and then, when the officer shouted "Attention!" priests appeared from somewhere and began "Eternal Memory..." Then the officer commanded "Left face! Forward march!" and then someone dismissed the priests, and then the soldiers came back wearing their helmets, and then someone brought the priests again and the honor guard finally left the grave. Then the priests began to wave their censers with incense and look sternly to see who crossed himself and who did not, which the communist part of my homeland bravely withstood, looking firmly into the eyes of the class enemy (nevertheless, whether they wanted to or not, they inhaled a little



incense--the opium of the people), thus turning out to be more Catholic than the Pope, more Marxist than the early Marx, and more Stalinist than Josip Vissarionovich himself, who still, when things got really critical, invited the Russian Patriarch to inform the troops in Red Square that they were going into the final, decisive battle for Holy Mother Russia...

And so, finally, it will never be clear to me why it was necessary to insult decent old women, to call them comrades when they were born ladies, to explain to them in street organizations in their old age that they came from monkeys and had not been brought by the stork at the end of the last century, to make them into enemies, when their real enemies had destroyed all those whom they had loved and raised, when they had given up everything their entire lives, and were dying in poverty and communal apartments without ever having seen even the sunny coasts of Italy, much less anything else; they celebrated Christmas secretly, behind closed curtains, and celebrated them in the middle of the 20th century like the early Christians in the catacombs, in gloomy little rooms, since their homes had been taken away from them in the name of a better tomorrow, so that in the end, when they were dead and forgotten, a decent and brave Slovene archbishop would wish them Merry Christmas, whatever their faith!

I think that all of these agonies and all of these fears which these decent old women suffered, maintaining in spite of everything the feeble flames of Christmas and saint's day candles, were not the fruit of ideology--in my opinion, it was exclusively a matter of a good upbringing at home. Was it possible for a strong ideology to show itself so weak and frightened of cooked wheat, a candle, a boot in the window for Santa Claus (Grandfather Frost appeared much later), a Christmas cake or a saint's day cake?

I am very concerned: if these greetings continue, perhaps one day (if not sooner), we will be able to dye eggs without feeling guilty, celebrate Easter, and who knows--even roll the eggs at each other?

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